



A Banner Year

TSMC Annual Report 2004

MAJOR FACILITIES

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TSMC Japan K.K.

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4000, Wen Xiang Road, Songjiang, Shanghai, China
Postcode: 201616
Tel: 86-21-57768000 Fax: 86-21-57762525

TSMC Spokesperson

Name: Lora Ho
Title: Vice President & CFO
Tel: 886-3-5636688 Fax: 886-3-5637000
Email: spokesperson@tsmc.com

Deputy Spokesperson

Name: J. H. Tzeng
Title: Public Relations Department Manager
Tel: 886-3-6665028 Fax: 886-3-5670121
Email: jhtzeng@tsmc.com

Auditors

Company: Deloitte & Touche
Auditors: Hung-Wen Huang, Ming-Cheng Chang
Address: 12F, 156, Sec. 3, Min-Sheng E. Rd.
Taipei, Taiwan 105, R.O.C.
Tel: 886-2-25459988 Fax: 886-2-25459966
Website: <http://www.deloitte.com.tw>

Common Share Transfer Agent and Registrar

Company: Corporate Trust Operation and Service
Department of China Trust Commercial Bank
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Taipei, Taiwan 100, R.O.C.
Tel: 886-2-23613033 Fax: 886-2-23116723
Website: <http://www.chinatrust.com.tw>

Depository Bank (ADR)

Company: Citibank, N.A. Depository Receipts Services
Address: 388 Greenwich Street, New York, NY10013, U.S.A.
Website: <http://www.citibank.com/adr>
Toll Free: 1-877-24484237
Outside USA: 1-816-8434281
Fax: 1-201-3243284
Email: citibank@shareholders-online.com

TSMC's depository receipts of the common shares are listed on New York Stock Exchange (NYSE) under the symbol TSM. The information relating to TSM is available at <http://www.nyse.com> and <http://newmops.tse.com.tw>

TSMC Website: <http://www.tsmc.com>

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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**





TSMC commits itself to providing its customers with the best quality and most comprehensive services.

LETTER TO SHAREHOLDERS

Dear Shareholders,

Year 2004 was a banner year for TSMC. We again set new records for revenues and earnings, while continuing to lead the semiconductor dedicated foundry sector. Our production accounted for more than 7% of the total value of the world's semiconductor output.

TSMC's performance was anchored in our "Trinity of Strength": strength in technology development and deployment, strength in manufacturing capacity and efficiency, and strength in building customer partnerships. For example:

- TSMC cumulatively shipped over one million wafers (8-inch equivalent) in 0.13-micron technology.
- TSMC's NexsysSM 90nm, the world's first 12-inch, low-k, 90-nanometer process to reach full production, was adopted in more than 30 customer products after one year's ramp, and achieved product yields ahead of internal goals.
- TSMC served more than 300 customers and produced more than 5,000 products in our fabs.

With its core manufacturing and logistics competencies, TSMC's experience in integrating front-end design and back-end turn-key services has helped customers resolve many daunting challenges in advanced chips designed with our 90nm technology. We collaborate closely with customers, enabling them to deliver their products on time and to achieve success in their end markets.

Financial Strength and Results

TSMC broke new records in both revenues and net income in 2004. Revenue reached NT\$255.9 billion, an increase of 26.8% compared with the previous record set in 2003. Net income was NT\$92.32 billion, an increase of 95.3% compared with 2003 results, while fully diluted earnings per share were NT\$3.97 (US\$0.59 per ADS unit), an increase of 96.8%. In US dollars, revenue for 2004 was US\$7.65 billion, an increase of 30.3%, while net income grew to US\$2.76 billion, an increase of 100%.

A Long-Term Growth Engine

TSMC's consistently strong financial performance proves the company's value as a solid long-term growth engine. The cyclical nature of the semiconductor industry is well known. Since the mid-1990s, we have taken strategic advantage of upturns. But we are careful not to overreach, and so we weather downturns well. We have been free cash flow positive in all but one year in our 18-year history, a track record rarely found in this industry.

Our recently enhanced dividend policy is a sign of our confidence in the TSMC growth engine. After the company's IPO in 1994, we made our first cash dividend payment in 2004, with a 30% cash payout ratio. We further resolved to distribute future dividends preferentially in cash. Under a change approved by shareholders on December 21, 2004, stock dividends will not exceed 50 percent of total distributions in future. The change will permit us more flexibility in planning future cash dividend distributions.

Two-Pronged Business Strategy to Ensure Future Growth

Our strategy for continued profitable growth has two dimensions: horizontal expansion into specialty technologies platforms in mature technologies; and vertical expansion through leadership in advanced process technologies for next-generation products. With specialty technologies, we can leverage our unique scale and manufacturing know-how at older, partly depreciated fab facilities to increase capacity utilization and margins throughout the cycle.

With demand strong for our 90nm technology, we plan to substantially increase our capacity of 90nm in 2005. Our total capacity for advanced technologies (defined as 0.13-micron and below) will more than double in 2005.

Innovation

TSMC has continued to demonstrate its leadership in semiconductor processes technology. For example, in December 2004, TSMC announced the successful use of immersion lithography tools developed by ASML to produce fully functional 90nm devices. These circuits represented the world's first publicly announced data indicating that immersion-based lithography systems are nearing production-ready status.

Recognition and Awards for Outstanding Achievements

TSMC continued to receive recognition and awards from around the world as a corporate role model. Among the numerous media surveys conducted in 2004 (for example, *Institutional Investor*, *The Asset Magazine*, *Asiamoney*, *FinanceAsia*, *IR Magazine*, and *The Know Network*), TSMC was awarded top honors in the areas of overall management, knowledge management, corporate governance and investor relations, and was voted the "Most Admired Company" by *CommonWealth Magazine*. In addition, TSMC received the Gold Medal Award from The Department of Economic Affairs of the Government of the Republic of China in the "National Invention and Creation" category.

Other Corporate Developments

In the period from March 24 to May 21, 2004, TSMC bought back 124.72 million common shares, representing 0.6% of total outstanding shares at that time. These repurchased shares were subsequently cancelled during the third quarter of 2004.

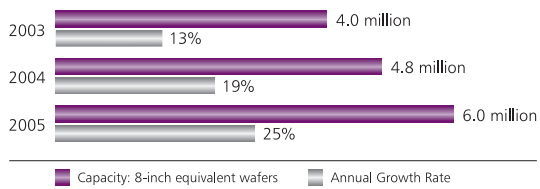
TSMC, TSMC North America, and WaferTech filed a series of lawsuits in late 2003 and 2004 in both state and federal courts in California and with the U. S. International Trade Commission against Semiconductor Manufacturing International Corporation (SMIC), SMIC (Shanghai), and SMIC Americas. The lawsuits alleged that SMIC companies infringed multiple TSMC patents and misappropriated TSMC's trade secrets. These suits have been settled out of court. As part of the agreement, SMIC will pay TSMC US\$175 million over six years to resolve TSMC's patent infringement and trade secret claims.

Outlook for the Future

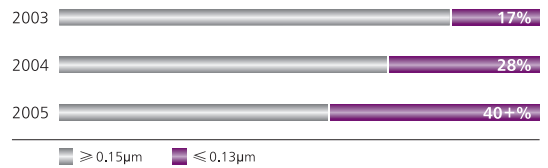
We believe that the world semiconductor industry is likely to expand at a compound annual growth rate of 8% to 10% within this decade. Coming out of the industry's most severe cyclical downturn in 2001, the global semiconductor industry has experienced two consecutive years of strong growth: 18% in 2003 followed by an estimated 28% growth in 2004. We now expect global semiconductor revenue to remain at about the same level or slightly lower in 2005. The value of the foundry segment's output is likely to have increased from a 16% share of world IC markets in 2003 to an estimated 18% in 2004. Our trinity of strengths and our two-pronged growth strategy, coupled with our continuing emphasis on cost efficiency, should enable TSMC to compete well.

We have every confidence that our dedication, our operating and financial discipline, as well as our strong commitment to innovation and customer partnership, will continue to produce the outstanding performance that has characterized TSMC since we founded the dedicated semiconductor foundry business in 1987.

Capacity Plan



Sales Plan by Technology



2005 wafer shipment is expected to reach 5.3 million 8-inch equivalent wafers.

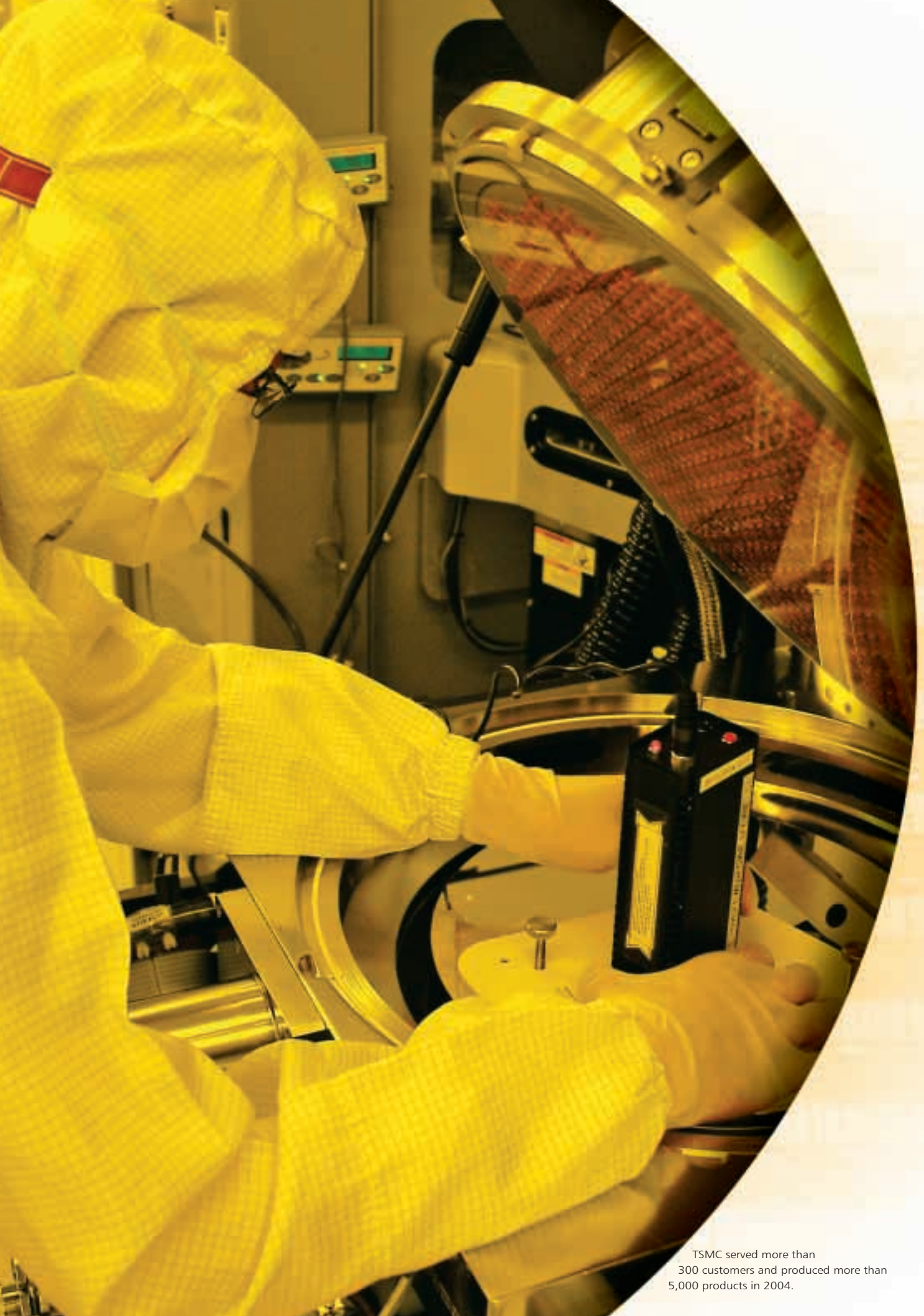
Morris Chang,
Chairman and CEO

F. C. Tseng,
Deputy CEO

Rick Tsai,
President and COO



Left to right: F.C. Tseng,
Morris Chang, Rick Tsai



TSMC served more than 300 customers and produced more than 5,000 products in 2004.

A BRIEF INTRODUCTION TO TSMC

1. Company Profile

TSMC's establishment of a dedicated integrated circuit (IC) foundry on February 21, 1987 at Hsinchu Science Park, Taiwan, was the first of its kind in the world. Today, TSMC is the world's largest dedicated semiconductor foundry, providing the industry's leading process technology and the foundry industry's largest portfolio of process-proven libraries, IP, design tools and reference flows.

As the global leader in the dedicated foundry sector of the semiconductor industry, TSMC currently operates two 12-inch wafer fabs, five 8-inch wafer fabs and one 6-inch fab. The Company also has substantial capacity commitments at two wholly owned subsidiaries, WaferTech in the U.S. and TSMC (Shanghai) Company, Ltd. in China, and at a joint-venture fab, SSMC, in Singapore. The total installed annual capacity of TSMC and its affiliates amounted to 4.8 million 8-inch equivalent wafers in 2004.

TSMC's common shares are listed on the Taiwan Stock Exchange. The depositary receipts of its common shares are listed on the New York Stock Exchange (NYSE) under the symbol TSM.

TSMC takes its role as a responsible corporate citizen seriously. The Company is committed to community service and maintaining strong stakeholder relationships.

Sound corporate governance is rooted in a strong Board of Directors comprised of experienced business leaders and distinguished scholars. The Board reinforces the Company's financial integrity and management soundness. There are three independent Board members among a total of nine directors. They are Sir Peter L. Bonfield, Professor Lester C. Thurow, and Mr. Stan Shih. In addition, Professor Michael E. Porter is an independent supervisor. Under TSMC's Board of Directors, the Audit Committee was established in 2002. It oversees the integrity of TSMC's financial and audit systems. The Compensation Committee was established in June 2003. It reviews and makes recommendations on issues related to employee and executive compensation.

1.1 Core Values

Integrity - a central value of the Company. TSMC's commitment to integrity can best be illustrated by its strong corporate governance efforts as well as the requirement that all TSMC employees act with honesty and uprightness, as set forth in its ethics policy and standard operating procedures.

Customer Partnership - an essential part of the Company's core competitive strength. TSMC's dedication to customer partnership helps to foster premium competitiveness for its customers and significant returns for its shareholders.

Innovation - the wellspring of the Company's growth. TSMC demands and encourage creativity from its employees. The spirit of innovation is applied to every aspect of the Company's business, from strategic planning to marketing to management to technology and production.

Commitment - the driving force that makes things happen. TSMC asks of its entire staff their personal commitment to their job and to the Company. The Company commits itself to uphold the welfare of its employees, its customers and its shareholders.

1.2 Statement of Company Vision

Our vision is to be the most advanced, innovative, and largest provider of foundry services. And, in partnership with our customers, we aim to forge the most powerful force in the semiconductor industry.

To realize our vision, we must be:

- (1) a technology leader, competitive with all other industry leaders;
- (2) the manufacturing leader; and
- (3) the most reputable and service-oriented foundry, providing the greatest total value to customers.

1.3 Corporate Recognition

Awards honoring TSMC in 2004 included:

- Most Admired Company in Taiwan (*CommonWealth Magazine*, October 2004 - for the eighth consecutive year)
- Gold Medal of Contribution Award, National Invention and Creation Award (Ministry of Economic Affairs, ROC, October 2004)
- Best Practice of Quality Management (Industrial Development Bureau, Ministry of Economic Affairs, ROC, November 2004)
- Overall Best Company for Corporate Governance in Taiwan (*Asiamoney*, December 2004)
- Best Managed Company, Best Corporate Governance, and Best Investor Relations in the Taiwan region (*FinanceAsia*, 2003)
- Best Investor Relations by a Taiwan Company (*IR Magazine*, November 2004)
- Best Corporate Governance in Taiwan (*The Asset Magazine*, 2004)
- Best Investor Relations in the Technology: Semiconductors Sector: The Buy-Side View, Best Investor Relations in the Technology: Semiconductors Sector: The Sell-Side View, Best Investor Relations in Taiwan: The Buy-Side View (*Institutional Investor*, July 2004)
- Dr. Morris Chang, Chairman and CEO, was selected as one of Asia's 25 Most Powerful People in Business (*Fortune Magazine*, August 2004)

2. Market Overview

2.1 TSMC Achievements

In 2004, TSMC maintained its leading position in the dedicated foundry segment of the semiconductor industry, with an estimated market share of 47%, about twice that of its closest competitor. TSMC achieved this result in the face of fierce competition from both established competitors and new entrants to the business.

A key contributor to TSMC's strong position is its lead in advanced process technologies: 28% of TSMC's revenues in 2004 came from geometries of 0.13-micron and below manufacturing processes. Working closely with its customers, TSMC took the lead in volume production of many products designed with its 0.13-micron FSG (Fluorinated Silicate Glass) and low-k processes. By September 2004, TSMC had produced and shipped more than one million 0.13-micron 8-inch equivalent wafers, placing TSMC far to the fore of foundry production at this advanced process node. The Company had also generated many times the 0.13-micron revenue of its nearest foundry competitor. TSMC enhanced its advanced process design reference flows to version 5.0 from version 4.0 in 2004 to include significant new power management, design for test, design for manufacturing, flip-chip design capabilities, and the first integrated chip-to-package design capabilities. The reference flows, together with a comprehensive IP and library program, help customers reduce costs and increase productivity before products go into production. Because they reduce barriers to new designs, they also decrease customers' time to market.

Examples of TSMC's technology development and deployment in 2004 included:

- Advanced Technologies (90nm, low-k and 65nm)
- Silicon-on-Insulator (SOI) Technology for 90nm and 65nm nodes
- Immersion Lithography for 90nm and below
- Mixed-Signal and Radio Frequency (MS/RF) Technologies
- 90nm High Density Embedded Memory Processes

- Logic Processes with Nonvolatile Memory at 0.35 μ m and 0.25 μ m nodes
- 40-volt, 0.18 μ m High Voltage Technology
- TSMC Reference Flow 5.0 for Power Closure and Integrated Chip to Package Design

Other key contributors to TSMC's success in 2004 were its continued progress in its R&D program and its unwavering focus on customer service.

2.2 Market Analysis

On the back of a 16% IC revenue rebound in 2003, IC revenues continued its growth trend with a 28% increase in 2004 to US\$179 billion, out of the total worldwide semiconductor revenue of US\$213 billion. Fabless slightly outpaced Integrated Device Manufacturers (IDM) with a market share of 15.5% of total IC revenues in 2004. IC foundry, a manufacturing sub-segment of the IC industry that serves fabless companies as well as IDM, had total revenue of US\$19.9 billion in 2004, up 40% from a year ago, while revenues from dedicated IC foundries reached US\$16.8 billion, up 46% from 2003. It is estimated that the production value of dedicated IC foundries accounted for 18.8% of worldwide IC revenues in 2004.

According to *IC Insights*, a market research company, the largest geographic segment of the market for dedicated foundry services is North America, which accounted for 58% of the dedicated foundry revenue in 2004. The second largest market segment is Asia Pacific (ex Japan), which accounted for 24% of the dedicated foundry revenue in 2004. European-based companies accounted for 10%, and companies based in Japan contributed 8%.

2.3 Industry Growth Forecast

After two consecutive years of strong growth, industry consensus indicates that the semiconductor market will stay flat or slightly decline in 2005. Inventory correction and erosion in average selling price (ASP) per IC unit are believed by market analysts to be the primary causes for the non-growth forecast of 2005. The market is then predicted to pick up in 2006.

2.4 Foundry Market Outlook: Opportunities and Threats

TSMC believes foundry services will play an increasingly important role as the IC industry becomes more reliant on foundry services. Industry analysts forecast that by 2009, 28.8% of global IC production value will come from dedicated foundries, as compared to 18.8% in 2004.

Confident of future foundry growth, TSMC plans to continue its capacity expansion in the year 2005 with capital investment of approximately US\$2.5 billion to US\$2.7 billion. Besides continued ramping up and expansion of Fab 12, TSMC's first 12-inch production fab, the Company is also expanding capacity at Fab 14, another 12-inch fab in Taiwan, and TSMC (Shanghai), an 8-inch fab in China.

The threat of excess capacity and falling wafer prices, however, may return over the next couple of years. To capitalize on opportunities, to minimize competitive threats and to reduce risk, TSMC will continue focusing on high-growth segments of the industry.

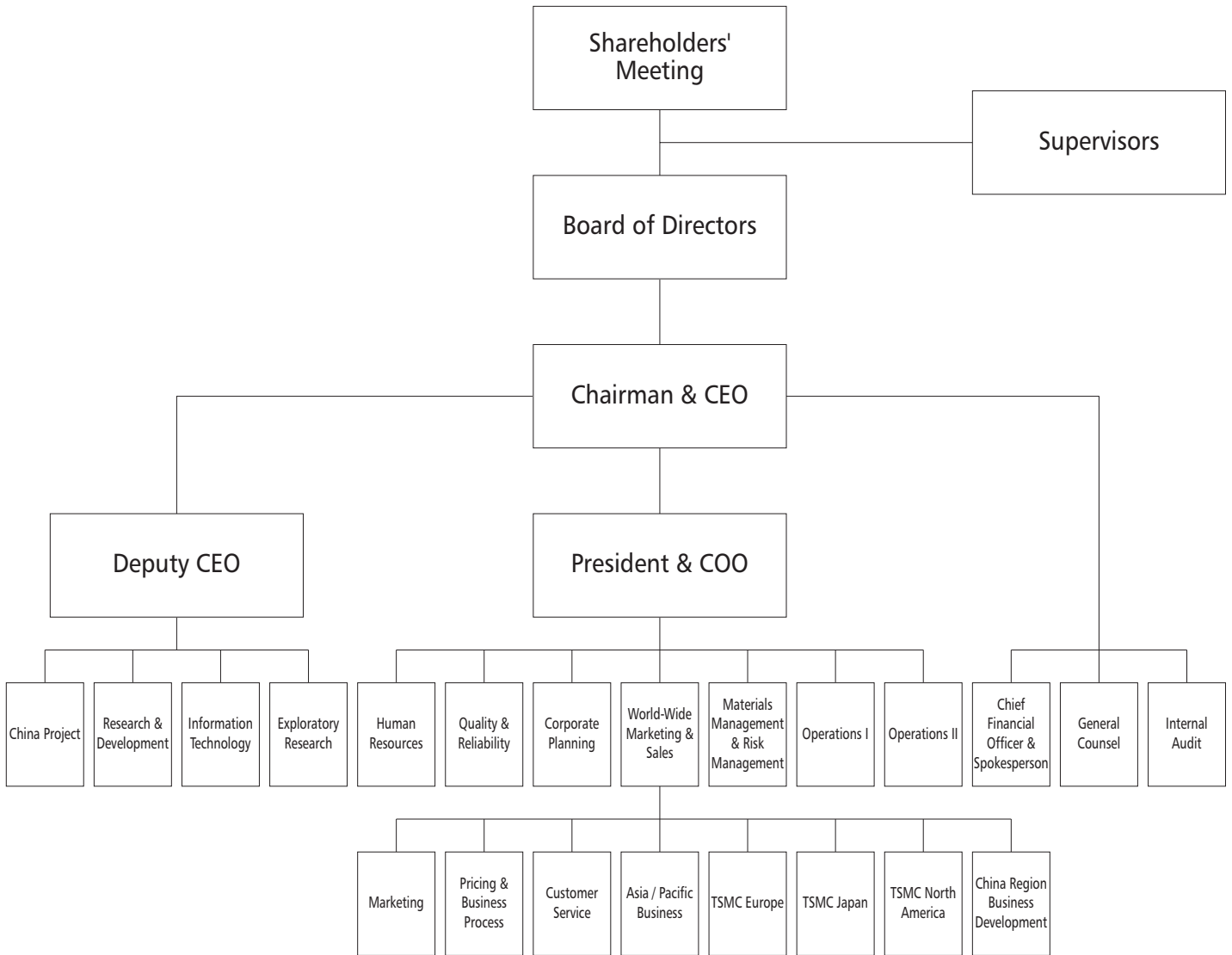
2.5 China Project

The Taiwan Government granted "Phase I" approval to TSMC's application to invest in a semiconductor fabrication plant in China, and TSMC accordingly established TSMC (Shanghai) Company Limited in August 2003.

In March 2004, TSMC submitted a "Phase II" application to the Taiwan Government for the same investment. "Phase II" approval was granted in May 2004, and in the following month TSMC began to equip the plant with used tools and machinery relocated from TSMC's Taiwan fabs. As of December 31, 2004, TSMC had invested a total of US\$276 million in TSMC (Shanghai). TSMC (Shanghai) commenced production of 0.35 and 0.25 micron process technologies in October 2004. The fab will ramp up its capacity to 15,000 8-inch wafers per month by the end of 2005.

3. Organization

3.1 Organization Chart



3.2 Function Description

China Project

- China development strategy and execution

Research & Development

- Advanced technology research and development, mask operations, and design services

Information Technology

- Company-wide information infrastructure, e-Business strategy, and information systems development and operation

Exploratory Research

- Exploratory technology development and patent affairs management

Human Resources

- Human resources management and organizational development

Quality & Reliability

- Quality and reliability management

Corporate Planning

- Production planning & control, industrial engineering, and operational efficiency

Worldwide Marketing & Sales

- Marketing — strategy, technology, and services marketing
- Pricing & Business Processes — pricing and business management
- Customer Service — customer loyalty and solutions effectiveness
- Regional Operations — business development and account services for North America, Europe, Japan, Asia and China regions

Materials Management & Risk Management

- Purchasing, warehousing, import and export, logistics support, industrial safety, and environmental protection

Operations I

- Manufacturing operations (Fabs 2, 3, 5, 6, 7, and 8), product engineering, and back-end operations

Operations II

- Manufacturing operations (Fabs 12 and 14), new fab planning, and manufacturing technology integration

Chief Financial Officer & Spokesperson

- Finance and accounting services, including investor relations, treasury, tax, asset management, financial and accounting management
- Corporate spokesperson

General Counsel

- Corporate legal affairs, contracts, patent and other intellectual property matters

Internal Audit

- Internal audit and process compliance

3.3 Directors & Supervisors

Information regarding Directors & Supervisors

Title/Name	Date Elected	Term Expires	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse and Minor Shareholding	
				Shares	%	Shares	%	Shares	%
Chairman Morris Chang	06/03/2003	06/02/2006	12/10/1986	91,669,112	0.49	122,793,152	0.53	111,723	0.00
Koninklijke Philips Electronics N. V. Representatives: (Note 3)	06/03/2003	06/02/2006	12/10/1986	2,554,450,279	13.72	2,576,997,318	11.08	-	-
Director J. C. Lobbezoo									
Director Mario Alberto Rivas (Note 1)									
Director F. C. Tseng	06/03/2003	06/02/2006	05/13/1997	30,356,889	0.16	40,041,167	0.17	121,018	0.00
Director Stan Shih	06/03/2003	06/02/2006	04/14/2000	2,225,077	0.01	1,348,371	0.01	14,681	0.00
Development Fund, Executive Yuan Representatives: (Note 3)	06/03/2003	06/02/2006	12/10/1986	1,793,522,406	9.63	1,716,683,170	7.38	-	-
Director Chintay Shih									
Director Sir Peter Leahy Bonfield	06/03/2003	06/02/2006	05/07/2002	0	0.00	0	0.00	0	0.00
Director Lester Carl Thurow	06/03/2003	06/02/2006	05/07/2002	0	0.00	0	0.00	0	0.00

TSMC Shareholding by Nominee Arrangement (Shares)	Education and Selected Past Positions	Selected Current Positions	Managers Are Spouse or Within Second-degree Relative of Consanguinity to Each Other		
			Title	Name	Relation
0	Ph. D., Electrical Engineering, Stanford University, USA Chairman, Industrial Technology Research Institute President & COO, General Instrument Corporation	CEO, TSMC Director, Chairman and/or President of TSMC subsidiary companies Supervisor, Industrial Technology Research Institute	-	-	-
0			-	-	-
	M. A., Business Economics, Erasmus University, the Netherlands	Executive Vice President & Chief Financial Officer, Philips Semiconductors B.V. Chairman, Systems on Silicon Manufacturing Company Pte Ltd. Director, FEI Company	-	-	-
	Masters degrees, EE Semiconductor Physics and Business Administration, Rensselaer Polytechnic Institute, the Netherlands Corporate Vice President, Motorola Semiconductors (now Freescale Semiconductor, Inc.), Motorola, Inc.	Executive Vice President, Communications Businesses, Philips Semiconductors B.V. Member of Philips Semiconductors' Executive Management Team	-	-	-
0	Ph. D., Electrical Engineering, National Cheng-Kung University, Taiwan President, TSMC President, Vanguard International Semiconductor Corp.	Deputy CEO, TSMC Director and/or President of TSMC subsidiary companies Chairman, Global Unichip Corp. Director, Prosperity Venture Capital Corp. Director, digimax, Inc. Director, Allegro Manufacturing Pte, Ltd.	-	-	-
0	Honorary Doctor of International Law, Thunderbird, American Graduate School of International Management, USA Honorary Fellowship, University of Wales, Cardiff, UK Honorary Doctor of Technology, The Hong Kong Polytechnic University, Hong Kong Honorary EE Ph. D., MSEE, BSEE, National Chiao Tung University, Taiwan	Group Chairman, iD SoftCapital Co-Founder, Chairman Emeritus of the Acer Group Director, ABW (Acer, BenQ, Wistron) Family Managing Director, Industrial Technology Research Institute	-	-	-
0			-	-	-
	Ph. D., Electrical Engineering, Princeton University, USA President, Industrial Technology Research Institute	Professor and Dean, College of Technology Management, National Tsing Hua University, Taiwan Managing Director and Special Advisor, Industrial Technology Research Institute Director, Industrial Technology Investment Corporation Director, Vanguard International Semiconductor Corp.	-	-	-
0	Engineering, Loughborough University of Technology, UK CEO and Chairman of the Executive Committee, British Telecommunications Plc	Senior Non-Executive Director, AstraZeneca Group Plc Director, L.M. Ericsson Director, Mentor Graphics Corporation Inc. Vice President, the British Quality Foundation Member of the Citigroup International Advisory Board Member of the Sony Corporation Advisory Board Non-Executive Director, Corporate Board of the Department for Constitutional Affairs Non Executive Member of Actis LLP Supervisory Board Non Executive Director of Her Majesty's Courts Services Board	-	-	-
0	Ph. D., Economics, Harvard University, USA Dean, Sloan School of Management, M.I.T.	Jerome and Dorothy Lemelson Professor of Management and Economics, Sloan School of Management, M.I.T. Director, Analog Devices, Inc. Director, E*Trade	-	-	-

(Continued)

Title/Name	Date Elected	Term Expires	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse and Minor Shareholding	
				Shares	%	Shares	%	Shares	%
Director Rick Tsai	06/03/2003	06/02/2006	06/03/2003	19,491,738	0.10	24,497,273	0.11	0	0.00
Koninklijke Philips Electronics N.V. Representatives: (Note 3)	06/03/2003	06/02/2006	12/10/1986	2,554,450,279	13.72	2,576,997,318	11.08	-	-
Supervisor Robbert J. Brakel									
Development Fund, Executive Yuan Representatives: (Note 3)	06/03/2003	06/02/2006	12/10/1986	1,793,522,406	9.63	1,716,683,170	7.38	-	-
Supervisor James C. Ho (Note 2)									
Supervisor Michael E. Porter	06/03/2003	06/02/2006	05/08/2002	0	0.00	0	0.00	0	0.00

Note 1: Mr. Mario Alberto Rivas replaced Mr. Scott McGregor on December 15, 2004.

Note 2: Mr. James C. Ho replaced Ms. Susan Chang on August 20, 2004.

Note 3: Information on Directors and Supervisors that are Representatives of Juridical Person Shareholders:

Directors / Supervisors That are Representatives of Juridical Person Shareholders	Juridical Person Shareholders	Top Ten Shareholders of Juridical Person Shareholders, or Shareholders Owning More than 10% of Juridical Person Shareholders
Director: J. C. Lobbezoo Director: Mario Alberto Rivas Supervisor: Robbert Brakel	Koninklijke Philips Electronics N.V.	Top Ten Shareholders: Not Available Shareholders Owned More than 10% Shares: None
Director: Chintay Shih Supervisor: James C. Ho	Development Fund, Executive Yuan	Not Applicable

TSMC Shareholding by Nominee Arrangement (Shares)	Education and Selected Past Positions	Selected Current Positions	Managers Are Spouse or Within Second-degree Relative of Consanguinity to Each Other		
			Title	Name	Relation
0	Ph. D., Material Science, Cornell University, USA Executive Vice President, Worldwide Marketing and Sales, TSMC President, Vanguard International Semiconductor Corp.	President & COO, TSMC Director of TSMC subsidiary companies	-	-	-
0			-	-	-
	Drs., Business Economics, Free University of Amsterdam, the Netherlands Post Doctorate Controllers Programme (RC), Free University of Amsterdam, the Netherlands	Vice President & CFO, Philips Mobile Display Systems Director, Philips Electronic Industries (Taiwan) Ltd. Director, Philips Electronic Building Elements Industries (Taiwan) Ltd.	-	-	-
0			-	-	-
	Ph. D., Economics, University of Pittsburgh, USA M. A., Economics, University of Pittsburgh, USA Executive Director, Center for Economic Deregulation and Innovation, Council for Economic Planning and Development, Executive Yuan Deputy Executive Director and Executive Director, Asia-Pacific Regional Operations Center, Council for Economic Planning and Development, Executive Yuan	Deputy Executive Secretary, Development Fund, Executive Yuan Director, Taiwan High Speed Rail	-	-	-
0	Ph. D., Business Economics, Harvard University, USA	Bishop William Lawrence University Professor, Harvard Business School Director, Inforte Corporation Director, Parametric Technology Corporation Director, Thermo-Electron Corporation	-	-	-

Remuneration Paid to Directors and Supervisors in 2004

Title/Name	Transportation Allowance (NT\$ thousands)	Compensation (Note 3) (NT\$ thousands)		
			Cash (NT\$ thousands)	Shares
Chairman & Chief Executive Officer Morris Chang	1,440	127,805	25,670	10,237,505
Koninklijke Philips Electronics N.V. Representatives: Director J. C. Lobbezoo Director Mario Alberto Rivas (Note 1) Supervisor Robbert J. Brakel				
Director & Deputy Chief Executive Officer F. C. Tseng				
Director Stan Shih				
Development Fund, Executive Yuan Representatives: Director Chintay Shih Supervisor James C. Ho (Note 2)				
Director Sir Peter Leahy Bonfield				
Director Lester Carl Thurow				
Director & President & Chief Operating Officer Rick Tsai				
Supervisor Michael E. Porter				

Note 1: Mr. Mario Alberto Rivas replaced Mr. Scott McGregor on December 15, 2004.

Note 2: Mr. James C. Ho replaced Ms. Susan Chang on August 20, 2004.

Note 3: Although Chi Cheng Investment Co., Ltd. and Hsin Ruey Investment Co., Ltd. had stepped down from TSMC's Board on June 3, 2003, they received a pro rata compensation in 2004 for the period that they remained on the Board in 2003.

Note 4: Average closing price per common share in December 2003, adjusted for cash and stock dividends and employee profit sharing (in stock) distributed in 2004.

Employee Profit Sharing		Total Compensation (NT\$ thousands)	Total Compensation Paid to Directors & Supervisors as % of 2003 Net Income	Number of Employee Stock Options Granted in 2004	Other Compensation (NT\$ thousands)
Stock					
Market Price Per Share (NT\$, Note 4)	Market Value (NT\$ thousands)				
53.98	552,621	707,536	1.50%	0	2,466

Independence Analysis of Board Members Under Taiwan SFB Criteria

Taiwan SFB provides a set of criteria to determine the independence of Board Members. The specific criteria and applicability to TSMC Board Members are shown below in detail.

Independence Criteria of Directors and Supervisors

Title / Name	Over five years of experience in business, finance, legal or areas required by the Company		
		Not an employee of the Company, nor a director, supervisor or employee of affiliated companies	Not a natural person shareholder directly or indirectly owning more than 1% of the Company's outstanding shares, nor one of the Company's top ten natural person shareholders
Chairman Morris Chang	√		
Director Peter Leahy Bonfield	√	√	√
Director Lester Carl Thurow	√	√	√
Director Stan Shih	√	√	√
Director J. C. Lobbzoo	√		√
Director Mario Alberto Rivas	√		√
Director Chintay Shih	√		√
Director F. C. Tseng	√		
Director Rick Tsai	√		
Supervisor Robbert J. Brakel	√		√
Supervisor James C. Ho	√	√	√
Supervisor Michael E. Porter	√	√	√

Note: "√" indicates meeting conditions specified above.

Board of Directors

Composition

TSMC's Board of Directors consists of nine distinguished members. Their outstanding careers and breadth of experience encompass high technology, finance, business, and management. Three of the nine members of the Board -- Sir Peter L. Bonfield, former CEO of British Telecommunications, Professor Lester C. Thurow of M.I.T., and Mr. Stan Shih, former Chairman of Acer Group -- are independent directors. A complete list of TSMC's directors, their qualifications and experience can be found on pages 14-17.

Criteria				
Not a spouse nor first- or second-degree relative to any person specified in columns 3 and 4	Not a director, supervisor or employee of a shareholder of juridical person of the Company directly or indirectly owning more than 5% of the Company's outstanding shares, nor one of the Company's top five shareholders of juridical person	Not a director, supervisor, manager or shareholder holding more than 5% of the outstanding shares of certain companies or institutions that have financial or business relationship with the Company	Not an owner, partner, director, supervisor, manager of any sole proprietor, partnership, company or institution and his/her spouse, or the specialist and his/her spouse, that provides finance, commerce, legal consultation and services to the Company or affiliated companies within one year	Not a juridical person or its representative as defined in Article 27 of Company Law
√	√	√	√	√
√	√	√	√	√
√	√	√	√	√
√	√	√	√	√
√		√	√	
√		√	√	
√	√	√	√	
√	√	√	√	√
√	√	√	√	√
√		√	√	
√		√	√	
√		√	√	
√	√	√	√	√

Responsibilities

The Board's primary duty is to fulfill its oversight responsibilities for the overall business and affairs of TSMC. Day-to-day operations, preparation of financial statements, fund raising, and investments remain the legal responsibility of the Company's management, and the activities of the Board do not supersede or alter those responsibilities.

In conjunction with Company staff, the Board also monitors regulatory activities, such as amendments to Taiwan's laws, amendments to the U.S. SEC rules and regulations, and changes to the New York Stock Exchange and Taiwan Stock Exchange listing requirements.

3.4 Management Team

Information regarding Management Team

Title/Name	Date Effective	Shareholding		Spouse and Minor		TSMC Shareholding by Nominee Arrangement (Shares)
		Shareholding	%	Shareholding	%	
Chairman & Chief Executive Officer Morris Chang	03/03/1998	122,793,152	0.53	111,723	0.00	0
Deputy Chief Executive Officer F. C. Tseng	08/07/2001	40,041,167	0.17	121,018	0.00	0
President & Chief Operating Officer Rick Tsai	08/07/2001	24,497,273	0.11	0	0.00	0
Senior Vice President Research & Development Shang-Yi Chiang	11/07/2000	13,248,391	0.06	0	0.00	0
Senior Vice President Worldwide Marketing & Sales Kenneth Kin	08/07/2001	2,781,256	0.01	0	0.00	0
Senior Vice President & Chief Information Officer Stephen T. Tso	11/02/2004	12,003,489	0.05	0	0.00	0
Vice President Materials Management & Risk Management J. B. Chen	09/05/2000	6,391,916	0.03	42,265	0.00	0
Vice President Research & Development Ping Yang	08/07/2001	5,304,686	0.02	0	0.00	0
Vice President Operations I C. C. Wei	03/03/1998	4,974,702	0.02	1,192	0.00	0
Vice President Operations II Mark Liu	05/11/1999	9,277,631	0.04	0	0.00	0
Vice President Marketing Genda Hu	08/11/2000	2,121,879	0.01	0	0.00	0
Vice President Operations I M. C. Tzeng	08/07/2001	4,756,521	0.02	371,286	0.00	0
Vice President & General Counsel Richard Thurston	02/08/2002	1,542,094	0.01	0	0.00	0
Vice President Customer Partnership and Service Chiam Wu	05/07/2002	1,281,909	0.01	0	0.00	0
Vice President, Chief Financial Officer & Spokesperson Lora Ho	09/08/2003	2,850,487	0.01	175,697	0.00	0
Vice President Human Resources P. H. Chang	02/17/2004	1,103,349	0.00	0	0.00	0
Vice President Operations II Wei-Jen Lo	08/10/2004	290,000	0.00	0	0.00	0
Senior Director Internal Audit Jan Kees van Vliet	10/15/2003	698,015	0.00	0	0.00	0
Senior Director Corporate Planning Organization L. C. Tu	01/01/2002	7,377,026	0.03	1,140,866	0.00	0

Education and Selected Past Positions	Selected Current Positions	Managers are Spouse or Within Second-degree Relative of Consanguinity to Each Other		
		Title	Name	Relation
(see page 15)	(see page 15)	-	-	-
(see page 15)	(see page 15)	-	-	-
(see page 15)	(see page 15)	-	-	-
Ph. D., Electrical Engineering, Stanford University, USA Vice President, Research and Development, TSMC Department Manager, Device Research and Applications, Hewlett-Packard Company	Director of International Sematech	-	-	-
Ph. D., Nuclear Engineering and Applied Physics, Columbia University, USA Vice President, Worldwide Sales & Services, IBM Microelectronics Division	Director of TSMC Europe B.V.	-	-	-
Ph. D., Materials Science & Engineering, University of California, Berkeley, USA President, WaferTech, LLC Senior Vice President, Operations, TSMC	Director of WaferTech, LLC Director of TSMC Partners, Ltd.	-	-	-
Master, Physics, National Tsing Hua University, Taiwan Vice President, Tainan Site Operation, TSMC President, TSMC-Acer Semiconductor Manufacturing Corp.	Director of United Industrial Gases Co., Ltd.	-	-	-
Ph. D., Electrical Engineering, University of Illinois, Champaign-Urbana, USA Senior Vice President, U.S. Subsidiary, TSMC North America Director, Device and Flow Design, Semiconductor Process and Device Center, Texas Instruments Incorporated	Director of Global Unichip Corp.	-	-	-
Ph. D., Electrical Engineering, Yale University, USA Vice President, South Site Operation, TSMC Senior Vice President, Chartered Semiconductor Manufacturing Ltd.	Director of TSMC (Shanghai) Company, Ltd. Director of VisEra Technology Company, Ltd.	-	-	-
Ph. D., Electrical Engineering and Computer Science, University of California, Berkeley, USA Vice President, South Site Operation, TSMC President, Worldwide Semiconductor Manufacturing Corp.	Director of System on Silicon Manufacturing Company Pte Ltd.	-	-	-
Ph. D., Electrical Engineering, Princeton University, USA General Director, Electronic Research and Service Organization, Industrial Technology Research Institute President, Taiwan Semiconductor Industry Association		-	-	-
Master, Applied Chemistry, Chung Yuan University, Taiwan Senior Director, Fab 2 Operation, TSMC		Department Manager	M. J. Tzeng	Siblings
J. D., Rutgers School of Law, State University of New Jersey, USA Ph. D., History, University of Virginia, USA Partner, Haynes Boone, LLP Vice President Corporate Staff, Assistant General Counsel, Texas Instruments Incorporated	Director of TSMC Partners, Ltd. Director of System on Silicon Manufacturing Company Pte Ltd.	-	-	-
M. S., Materials Science and Engineering, Oregon State University, USA Group Vice President, Applied Materials, Inc. Vice Chairman, Applied Materials Taiwan, Ltd.		-	-	-
Master, Finance, National Taiwan University, Taiwan Senior Director, Accounting, TSMC Vice President, TI-Acer Semiconductor Manufacturing Corp.	Director and/or Supervisor TSMC subsidiary companies Supervisor of Global Unichip Corporation Supervisor of VisEra Technology Company, Ltd.	-	-	-
Ph. D., Materials Science and Engineering, Purdue University, USA Senior Director, Materials Management, TSMC Vice President, Worldwide Semiconductor Manufacturing Corp.		-	-	-
Ph. D., Solid State Physics and Surface Chemistry, University of California, Berkeley, USA Director, Advanced Technology Development & CTM Plant Manager, Intel		-	-	-
M. S., Management, Delft / Erasmus University, the Netherlands Senior Director, Pricing & Business Process, TSMC Chief Financial Officer and member of the Board of Management, Philips Taiwan		-	-	-
Master, Business Administration, Tulane University, USA Senior Director, Fab 5 Operation, TSMC		-	-	-

Compensation Paid to President and Vice Presidents

Title	Name	Salary (NT\$ thousands)	Bonus (NT\$ thousands)		
				Cash (NT\$ thousands)	Shares
President & Chief Operating Officer	Rick Tsai	53,705	20,560	44,695	18,125,194
Senior Vice President Research & Development	S. Y. Chiang				
Senior Vice President Worldwide Marketing & Sales	Kenneth Kin				
Senior Vice President & Chief Information Officer	Quincy Lin (Note 1)				
Senior Vice President & Chief Information Officer	Stephen T. Tso				
Vice President Materials Management & Risk Management	J. B. Chen				
Vice President Research & Development	Ping Yang				
Vice President Operations I	C. C. Wei				
Vice President Operations II	Mark Liu				
Vice President Marketing	Genda Hu				
Vice President Operations I	M. C. Tzeng				
Vice President & General Counsel	Richard Thurston				
Vice President Customer Partnership and Service	Chiam Wu				
Vice President, Chief Financial Officer & Spokesperson	Lora Ho				
Vice President Human Resources	P. H. Chang				
Vice President Operations II	Wei-Jen Lo				

Note 1: Mr. Quincy Lin retired on February 28, 2005.

Note 2: Average closing price per common share in December 2003, adjusted for cash and stock dividends and employee profit sharing (in stock) distributed in 2004.

Employee Profit Sharing		Total Compensation (NT\$ thousands)	Total Compensation to President and VPs as % 2003 of Net Income	ESOP shares granted in 2004	Other Compensation (NT\$ thousands)
Stock					
Market Price Per Share (NT\$, Note 2)	Market Value (NT\$ thousands)				
53.98	978,398	1,097,359	2.32%	0	4,278

Employee Profit Sharing Granted to Management Team

Title	Name	Profit Sharing Stock			Profit Sharing Cash (NT\$ thousands)	Total Profit Sharing Value (NT\$ thousands)	Total Profit Sharing Value to Management Team as % of 2003 Net Income
		Shares	Market Price Per Share (NT\$, Note 2)	Market Value (NT\$ thousands)			
Chairman & Chief Executive Officer	Morris Chang						
Deputy Chief Executive Officer	F. C. Tseng						
President & Chief Operating Officer	Rick Tsai						
Senior Vice President Research & Development	S. Y. Chiang						
Senior Vice President Worldwide Marketing & Sales	Kenneth Kin						
Senior Vice President & Chief Information Officer	Quincy Lin (Note 1)						
Senior Vice President & Chief Information Officer	Stephen T. Tso						
Vice President Materials Management & Risk Management	J. B. Chen						
Vice President Research & Development	Ping Yang						
Vice President Operations I	C. C. Wei						
Vice President Operations II	Mark Liu	26,789,012	53.98	1,446,071	66,419	1,512,490	3.20%
Vice President Marketing	Genda Hu						
Vice President Operations I	M. C. Tzeng						
Vice President & General Counsel	Richard Thurston						
Vice President Customer Partnership and Service	Chiam Wu						
Vice President Chief Financial Officer & Spokesperson	Lora Ho						
Vice President Human Resources	P. H. Chang						
Vice President Operations II	Wei-Jen Lo						
Senior Director Internal Audit	Jan Kees van Vliet						
Senior Director Corporate Planning Organization	L. C. Tu						

Note 1: Mr. Quincy Lin retired on February 28, 2005.

Note 2: Average closing price per common share in December 2003, adjusted for cash and stock dividends and employee profit sharing (in stock) distributed in 2004.

Information on Net Change in Shareholding and Net Change in Shares Pledged by Directors, Supervisors, Management and Shareholders of 10% Shareholdings or More

Unit: Share

Title/Name	2004		01/01/2005~ 02/28/2005	
	Net Change in Shareholding	Net Change in Shares Pledged (Note 1)	Net Change in Shareholding	Net Change in Shares Pledged (Note 1)
Chairman & CEO Morris Chang	20,409,803	0	0	0
Director & Supervisor Koninklijke Philips Electronics N.V. Representatives: J. C. Lobbezoo Mario Alberto Rivas Robbert J. Brakel	318,191,017	0	0	0
Director & Deputy CEO F. C. Tseng	5,981,948	0	-100,000	0
Director Stan Shih	166,488	0	0	0
Director & Supervisor Development Fund, Executive Yuan Representatives: Chintay Shih James C. Ho	211,964,972	0	0	0
Director Sir Peter Leahy Bonfield	0	0	0	0
Director Lester Carl Thurrow	0	0	0	0
Director & President & COO Rick Tsai	3,619,817	0	-240,000	0
Supervisor Michael E. Porter	0	0	0	0
Senior Vice President Shang-Yi Chiang	2,898,482	400,000	-70,000	0
Senior Vice President Kenneth Kin	908,741	0	-200,000	0
Senior Vice President & CIO Stephen T. Tso	0 (Note 2)	0 (Note 2)	0	0
Vice President J. B. Chen	1,135,035	0	-200,000	0
Vice President Ping Yang	938,874	0	-340,000	0
Vice President C. C. Wei	1,479,981	0	-144,000	0
Vice President Mark Liu	1,323,636	0	-150,000	0
Vice President Genda Hu	829,371	0	-86,000	0
Vice President M. C. Tzeng	1,217,427	0	-36,000	0
Vice President & General Counsel Richard Thurston	717,785	0	-30,000	0
Vice President Chiam Wu	704,909	0	0	0
Vice President, CFO & Spokesperson Lora Ho	1,131,967	0	-80,000	0
Vice President P. H. Chang	682,861 (Note 3)	0 (Note 3)	0	0
Vice President Wei-Jen Lo	0 (Note 4)	0 (Note 4)	-10,000	0
Senior Director Jan Kees van Vliet	414,449	0	-10,000	0
Senior Director L. C. Tu	1,150,325	0	-58,000	0

Note 1: This refers to the creation of security interest over TSMC shares in favor of creditors, usually in connection with a shareholder's own financing activities.

Note 2: Net change in shareholding or share pledged from 11/02/2004 to 12/31/2004.

Note 3: Net change in shareholding or share pledged from 02/17/2004 to 12/31/2004.

Note 4: Net change in shareholding or share pledged from 08/10/2004 to 12/31/2004.

Stock Trade with Related Party: None

Stock Pledge with Related Party: None

3.5 TSMC Long-Term Investments Ownership

Long-Term Investment	Ownership by TSMC (1)	
	Shares	%
Equity Method		
TSMC International Investment Ltd.	987,968,244	100.0
TSMC Partners, Ltd.	300,000	100.0
Systems on Silicon Manufacturing Co. Pte Ltd.	382,264	32.0
Vanguard International Semiconductor Corp.	409,531,914	27.9
TSMC (Shanghai) Company Ltd.	Not Applicable (Note 3)	100.0
Emerging Alliance Fund, L.P.	Not Applicable (Note 3)	99.5
VentureTech Alliance Fund II, L.P.	Not Applicable (Note 3)	98.0
TSMC North America	11,000,000	100.0
Global UniChip Corp.	39,040,000	47.3
TSMC Japan K.K.	6,000	100.0
VisEra Technology Company Ltd.	5,100,000	25.0
Chi Cherng Investment Co., Ltd.	Not Applicable (Note 3)	35.7
Hsin Ruey Investment Co., Ltd.	Not Applicable (Note 3)	35.7
TSMC Europe B.V.	200	100.0
Cost Method		
Non- Publicly Traded		
United Industrial Gases Co. Ltd.	16,782,937	10.3
Shin-Etsu Handotai Taiwan Company Ltd.	10,500,000	7.0
Hontung Venture Capital Co., Ltd.	8,391,608	10.5
W. K. Technology Fund IV	5,000,000	1.9
Globaltop Partner I Venture Capital Corp.	5,000,000	1.5
Funds		
Horizon Ventures	Not Applicable (Note 3)	12.1
Crimson Asia Capital	Not Applicable (Note 3)	1.0

Note 1: Share interest held by Koninklijke Philips Electronics N.V.

Note 2: Include 27.6% owned by Development Fund, Executive Yuan.

Note 3: Not applicable: These firms do not issue shares. TSMC's investment is measured as a percentage of ownership interest.

Note 4: Not available: Not all information is available to TSMC as of the report date.

As of 12/31/2004

Direct/Indirect Ownership by Directors, Supervisors, and Management (2)		Total Ownership (1) + (2)	
Shares	%	Shares	%
-	-	987,968,244	100.0
-	-	300,000	100.0
573,396	48.0 (Note 1)	955,660	80.0
410,138,855	27.9 (Note 2)	819,670,769	55.8
-	-	Not Applicable (Note 3)	100.0
-	-	Not Applicable (Note 3)	99.5
-	-	Not Applicable (Note 3)	98.0
-	-	11,000,000	100.0
2,561,675	3.1	41,601,675	50.4
-	-	6,000	100.0
3,340,000	16.4	8,440,000	41.4
-	-	Not Applicable (Note 3)	35.7
-	-	Not Applicable (Note 3)	35.7
-	-	200	100.0
Not Available (Note 4)	Not Available (Note 4)	16,782,937	10.3
Not Available (Note 4)	Not Available (Note 4)	10,500,000	7.0
Not Available (Note 4)	Not Available (Note 4)	8,391,608	10.5
Not Available (Note 4)	Not Available (Note 4)	5,000,000	1.9
Not Available (Note 4)	Not Available (Note 4)	5,000,000	1.5
Not Applicable (Note 3)	Not Available (Note 4)	Not Applicable (Note 3)	12.1
Not Applicable (Note 3)	Not Available (Note 4)	Not Applicable (Note 3)	1.0

4. Capital & Shares

4.1 History of Capitalization

Unit: Share/NT\$

Month/Year	Price	Par Value	Authorized		Paid-in	
			Shares	Amount	Shares	Amount
02/1987	1,000	1,000	5,510,000	5,510,000,000	1,377,500	1,377,500,000
12/1988	1,000	1,000	5,510,000	5,510,000,000	2,204,000	2,204,000,000
11/1989	1,000	1,000	5,510,000	5,510,000,000	3,306,000	3,306,000,000
07/1990	-	1,000	5,510,000	5,510,000,000	3,360,797	3,360,797,000
12/1990	1,000	1,000	5,510,000	5,510,000,000	3,911,797	3,911,797,000
07/1991	-	10	551,000,000	5,510,000,000	391,179,700	3,911,797,000
12/1991	10	10	551,000,000	5,510,000,000	473,829,700	4,738,297,000
12/1992	10	10	551,000,000	5,510,000,000	551,000,000	5,510,000,000
08/1993	-	10	780,000,000	7,800,000,000	608,304,000	6,083,040,000
07/1994	-	10	780,000,000	7,800,000,000	780,000,000	7,800,000,000
06/1995	-	10	3,000,000,000	30,000,000,000	1,439,000,000	14,390,000,000
05/1996	-	10	3,000,000,000	30,000,000,000	2,654,200,000	26,542,000,000
07/1997	-	10	8,500,000,000	85,000,000,000	4,081,300,000	40,813,000,000
07/1998	-	10	8,500,000,000	85,000,000,000	6,047,175,967	60,471,759,670
07/1999	-	10	9,100,000,000	91,000,000,000	7,548,483,035	75,484,830,350
11/1999	-	10	9,100,000,000	91,000,000,000	7,670,881,717	76,708,817,170
06/2000	-	10	17,800,000,000	178,000,000,000	9,990,849,423	99,908,494,230
06/2000	220	10	17,800,000,000	178,000,000,000	10,105,849,423	101,058,494,230
08/2000	-	10	17,800,000,000	178,000,000,000	11,689,364,587	116,893,645,870
12/2000	10	10	17,800,000,000	178,000,000,000	12,989,364,587	129,893,645,870
07/2001	-	10	24,600,000,000	246,000,000,000	18,132,553,051	181,325,530,510
07/2002	-	10	24,600,000,000	246,000,000,000	19,922,886,745	199,228,867,450
06/2003	10	10	24,600,000,000	246,000,000,000	18,622,886,745	186,228,867,450
07/2003	-	10	24,600,000,000	246,000,000,000	20,266,618,984	202,666,189,840
06/2004	-	10	24,600,000,000	246,000,000,000	23,376,597,005	233,765,970,050
08/2004	-	10	24,600,000,000	246,000,000,000	23,251,877,005	232,518,770,050
11/2004	-	10	24,600,000,000	246,000,000,000	23,251,963,693	232,519,636,930
01/2005	-	10	24,600,000,000	246,000,000,000	23,252,048,432	232,520,484,320
02/2005	-	10	24,600,000,000	246,000,000,000	23,252,256,555	232,522,565,550

Remark		
Sources of Capital	Capital Increase by Assets other than Cash	Date of Approval & Approval Document No.
Founding	NO	-
Cash Offering	NO	-
Cash Offering	NO	-
Capitalization of Profits	NO	-
Cash Offering	NO	-
Par Value Change from NT\$1,000 to NT\$10	-	-
Cash Offering	NO	-
Cash Offering: NT\$582,171,120 Capitalization of Profits: NT\$189,531,880	NO	10/30/1992 (81) Tai Tsai Cheng (1) No. 02818
Capitalization of Profits	NO	07/05/1993 (82) Tai Tsai Cheng (1) No. 01624
Capitalization of Profits	NO	06/15/1994 (83) Tai Tsai Cheng (1) No. 26945
Capitalization of Profits	NO	05/19/1995 (84) Tai Tsai Cheng (1) No. 29799
Capitalization of Profits	NO	04/16/1996 (85) Tai Tsai Cheng (1) No. 24544
Capitalization of Profits	NO	05/26/1997 (86) Tai Tsai Cheng (1) No. 40772
Capitalization of Profits	NO	05/26/1998 (87) Tai Tsai Cheng (1) No. 46156
Capitalization of Profits	NO	05/26/1999 (88) Tai Tsai Cheng (1) No. 48906
Conversion of ECB	NO	-
Capitalization of Profits: NT\$21,320,311,040 and Capital Surplus: NT\$1,879,366,020	NO	04/27/2000 (89) Tai Tsai Cheng (1) No. 34058
Cash Offering (ADR)	NO	05/09/2000 (89) Tai Tsai Cheng (1) No. 34440
Merger with WSMC & TSMC-ACER	NO	06/07/2000 (89) Tai Tsai Cheng (1) No. 47200
Cash Offering (Preferred Stock)	NO	09/22/2000 (89) Tai Tsai Cheng (1) No. 80344
Capitalization of Profits	NO	06/05/2001 (90) Tai Tsai Cheng (1) No. 135268
Capitalization of Profits	NO	05/28/2002 (91) Tai Tsai Cheng (1) No. 128948
Redemption of Preferred Stock	NO	-
Capitalization of Profits	NO	06/18/2003 Tai Tsai Cheng 1 Tzu No. 0920127023
Capitalization of Profits	NO	05/25/2004 Tai Tsai Cheng 1 Tzu No. 0930123135
Capital Reduction : Cancellation of Treasury Shares	NO	-
Exercise of Employee Stock Options	NO	06/25/2002 Tai Tsai Cheng 1 Tzu No. 0910134577
Exercise of Employee Stock Options	NO	06/25/2002 Tai Tsai Cheng 1 Tzu No. 0910134577
Exercise of Employee Stock Options	NO	06/25/2002 Tai Tsai Cheng 1 Tzu No. 0910134577

4.2 Capital & Shares

Unit: Share

As of 02/28/2005

Type of Stock	Authorized Capital				Total
	Issued Shares			Unissued Shares	
	Listed	Non-Listed	Total		
Common Stock	23,252,256,555	-	23,252,256,555	1,347,743,445	24,600,000,000

4.3 Status of Shareholders

Stock: Common Share

As of 11/22/2004 (last record date)

Type of Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Natural Persons	Domestic Natural Persons	Total
Number of Shareholders	9	131	958	1,731	522,128	524,957
Shareholding	1,922,288,920	1,135,368,348	2,799,465,844	12,491,364,497	4,903,476,084	23,251,963,693
Holding Percentage (%)	8.27	4.88	12.04	53.72	21.09	100.00

4.4 Distribution Profile of Shareholder Ownership

Stock: Common Share

As of 11/22/2004 (last record date)

Shareholder Ownership (Unit: Share)	Number of Shareholders	Ownership	Ownership (%)
1 ~ 999	127,166	41,636,756	0.18
1,000 ~ 5,000	253,538	601,100,290	2.59
5,001 ~ 10,000	66,874	473,155,537	2.03
10,001 ~ 15,000	28,714	349,967,791	1.50
15,001 ~ 20,000	12,189	213,029,781	0.92
20,001 ~ 30,000	13,202	319,993,621	1.38
30,001 ~ 40,000	6,013	207,823,414	0.89
40,001 ~ 50,000	3,714	166,239,704	0.71
50,001 ~ 100,000	6,660	457,932,539	1.97
100,001 ~ 200,000	3,225	441,268,282	1.90
200,001 ~ 400,000	1,605	447,791,347	1.93
400,001 ~ 600,000	519	251,663,368	1.08
600,001 ~ 800,000	269	187,674,486	0.81
800,001 ~ 1,000,000	193	173,913,489	0.75
Over 1,000,001	1,076	18,918,773,288	81.36
Total	524,957	23,251,963,693	100.00

4.5 Major Shareholders

Stock: Common Share

As of 11/22/2004 (last record date)

Rank	Shareholders	Total Shares Owned	Ownership (%)
1	ADR-Taiwan Semiconductor Manufacturing Company, Ltd.	3,341,753,899	14.37
2	Koninklijke Philips Electronics N. V.	2,576,997,318	11.08
3	Philips Electronics Industries (Taiwan), Ltd.	1,836,016,294	7.90
4	Development Fund, Executive Yuan	1,716,683,170	7.38
5	The Growth Fund of America, Inc.	464,756,085	2.00
6	JPMorgan Chase Bank, Taipei Branch in Custody for Europacific Growth Fund	268,009,895	1.15
7	JPMorgan Chase Bank, Taipei Branch in Custody for The New Perspective Fund, Inc.	254,326,011	1.09
8	Government of Singapore Investment Corp. PFE. Ltd.	229,044,518	0.99
9	Bureau of Labor Insurance	205,586,322	0.88
10	Merrill Lynch International Ltd.	162,330,362	0.70

4.6 Other Share Information

Net Worth, Earnings, Dividends and Market Price Per Common Share

Unit: NT\$, except weighted average shares and return on investment

Item	2003	2004	01/01/2005~02/28/2005
Market Price Per Share			
Highest Market Price	72.5	68.5	55.5
Lowest Market Price	40.1	40.7	46.2
Average Market Price	56.4	52.4	51.3
Net Worth Per Share			
Before Distribution	16.24	17.16	(Note 2)
After Distribution	13.52	(Note 1)	(Note 1)
Earnings Per Share			
Weighted Average Shares (thousand shares)	20,231,739	23,255,086	23,131,559
Earnings Per Share	2.33	3.97	(Note 2)
Earnings Per Share (Note 3)	2.02	(Note 1)	(Note 1)
Dividends Per Share			
Cash Dividends	0.60	2.0	(Note 1)
Stock Dividends			
Dividends from Retained Earnings	1.41	0.5	(Note 1)
Dividends from Capital Surplus	-	-	(Note 1)
Accumulated Undistributed Dividend	-	-	-
Return on Investment			
Price / Earning Ratio (Note 4)	24.21	13.20	(Note 2)
Price / Dividend Ratio (Note 5)	94.00	(Note 1)	(Note 1)
Cash Dividend Yield Rate (Note 6)	0.01	(Note 1)	(Note 1)

Note 1: Pending shareholder's meeting resolution

Note 2: Financials of the period not yet finalized

Note 3: Retroactive adjustment for stock dividends and bonus to employees

Note 4: Price / Earning Ratio = Average Market Price / Earnings Per Share

Note 5: Price / Dividend Ratio = Average Market Price / Cash Dividends Per Share

Note 6: Cash Dividend Yield Rate = Cash Dividends Per Share / Average Market Price

4.7 Dividend Policy

TSMC does not pay dividends when there is no profit for a particular fiscal year, except under certain conditions specified in its Articles of Incorporation. Profits may be distributed by way of cash dividend, stock dividend, or a combination of cash and stock. Distribution of profits is made preferably by way of cash dividends; in the past, profit distribution was generally accomplished by way of stock dividends. Under current policy, the ratio for stock dividends may not exceed 50% of the total distribution.

4.8 Distribution of Profit

The Board adopted a proposal for 2004 profit distribution at its quarterly meeting on February 22, 2005. The proposed profit distribution will be effected upon the approval of shareholders at the Annual Shareholder Meeting on May 10, 2005.

Proposal to Distribute 2004 Profits

Unit: NT\$

Bonus to Directors & Supervisors	231,466,144
Cash Dividends to Common Shareholders (NT\$ 2.00 per share)	46,504,096,864
Stock Dividends to Common Shareholders (NT\$ 0.5 per share at par value, i.e., 50 shares for each 1,000 shares owned) (Note 1)	11,626,024,220
Employees' Profit Sharing in Cash	3,086,215,246
Employees' Profit Sharing in Stock (Note 2)	3,086,215,260

Note 1: Equivalent to underlying number of shares: 1,162,602,422

Note 2: Equivalent to underlying number of shares: 308,621,526

According to the Company's Articles of Incorporations, when allocating net profits for each fiscal year, the Company, after setting aside regulatorily-required legal reserves, shall set aside 0.3% of the balance as bonus to directors and supervisors, and not less than 1% as bonus to employees of the Company.

2003 profit distribution for Directors & Supervisors Compensation, and Employee Profit Sharing:

	Board Resolution (02/17/2004)	Actual Result		
	Amount (NT\$)	Amount (NT\$)	Underlying Number of Shares	Dilution (%)
Directors & Supervisors Compensation (Cash)	127,805,326	127,805,326	-	-
Employee Profit Sharing in Cash	681,628,401	681,628,401	-	-
Employee Profit Sharing in Stock	2,726,513,630	2,726,513,630	272,651,363	1.17
Total	3,535,947,357	3,535,947,357	-	-

The EPS of 2003 and 2004 might have varied if "Directors & Supervisors Compensation" and "Employee Profit Sharing" had been subject to different accounting treatments:

Accounting Treatments	2003 EPS	2004 EPS
Treatment as Profit Distribution	NT\$ 2.33	NT\$ 3.97
Treatment as Expenses (Employee Profit Sharing in stock expensed at par value)	NT\$ 2.15	NT\$ 3.70

4.9 Impact to 2005 Business Performance, EPS and ROE Resulting from Stock Dividend Distribution: Not Applicable.

4.10 Buyback of Treasury Stock

As of 02/28/2005

Buyback Plan	First Buyback Plan
Purpose	Due to significant volatility of the Taiwan stock market after 2004 Taiwan presidential election, the Company decided to buy back TSMC common shares in the interests of shareholders.
Period	03/24/2004 ~ 05/23/2004
Originally Planned Buyback Price Range	NT\$38.5 ~ NT\$95.0 per common share
Class and Number of Shares Bought Back	124,720,000 common shares
Value of Shares Bought Back	NT\$7,059,797,818
Number of Shares Cancelled or Transferred	124,720,000 common shares
Accumulated Number of Shares Held	0
Percentage of Accumulated Shares Held to Total Outstanding Shares	0%

5. Issuance of Corporate Bonds

5.1 Corporate Bonds

As of 02/28/2005

Issuance	Domestic Unsecured Bond (IV)	Domestic Unsecured Bond (V)
Issuing Date	12/04/2000 - 12/15/2000	01/10/2002 - 01/24/2002
Denomination	NT\$1,000,000 NT\$10,000,000	NT\$1,000,000 NT\$5,000,000
Offering Price	Par	Par
Total Amount	NT\$15,000,000,000	NT\$15,000,000,000
Coupon Rate	Tranche A: 5.25% p.a. Tranche B: 5.36% p.a.	Tranche A: 2.60% p.a. Tranche B: 2.75% p.a. Tranche C: 3.00% p.a.
Tenure	Tranche A: 5 years Maturity: 12/04/2005- 12/15/2005 Tranche B: 7 years Maturity: 12/04/2007-12/14/2007	Tranche A: 5 years Maturity: 01/10/2007-01/22/2007 Tranche B: 7 years Maturity: 01/10/2009-01/24/2009 Tranche C: 10 years Maturity: 01/10/2012- 01/24/2012
Guarantor	None	None
Trustee	The International Commercial Bank of China	TC Bank
Underwriter	Not Applicable	Not Applicable
Legal Counsel	Eluzvy International Law Office	Yan-an International Law Office
Auditor	TN Soong & Co	TN Soong & Co
Repayment	Bullet	Bullet
Outstanding	NT\$15,000,000,000	NT\$15,000,000,000
Redemption or Early Repayment Clause	None	None
Covenants	Customary Covenants	Customary Covenants
Credit Rating	tw AA (Taiwan Ratings Corporation, 11/08/2000)	tw AA (Taiwan Ratings Corporation, 12/03/2001)
Other Rights of Bondholders	Conversion Right	None
	Amount of Converted or Exchanged Common Shares, ADRs or Other Securities as of 02/28/2004	Not Applicable
Dilution Effect and Other Adverse Effects on Existing Shareholders	None	None
Custodian	None	None

5.2 Convertible Bond: None

5.3 Exchangeable Bond: None

5.4 Bond with Warrants: None

6. Preferred Shares

6.1 Preferred Share: None

6.2 Preferred Share with Warrant: None

7. Issuance of American Depositary Shares

Issuing Date	10/08/1997	11/20/1998	01/12/1999 – 01/14/1999	07/15/1999	08/23/1999 – 09/09/1999	02/22/2000 – 03/08/2000	04/17/2000
Issuance and Listing	NYSE	NYSE	NYSE	NYSE	NYSE	NYSE	NYSE
Total Amount (US\$)	594,720,000	184,554,440	35,500,000	296,499,641	158,897,089	379,134,599	224,640,000
Offering Price per ADS (US\$)	24.78	15.26	17.75	24.516	28.964	57.79	56.16
Units Issued	24,000,000	12,094,000	2,000,000	12,094,000	5,486,000	6,560,000	4,000,000
Underlying Securities	TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders (Pursuant to ADR Conversion Sale Program)	TSMC Common Shares from Selling Shareholders (Pursuant to ADR Conversion Sale Program)	TSMC Common Shares from Selling Shareholders
Common Shares Represented	120,000,000	60,470,000	10,000,000	60,470,000	27,430,000	32,800,000	20,000,000
Rights and Obligations of ADS Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders
Trustee	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Depository Bank	Citibank, N. A. – New York	Citibank, N. A. – New York	Citibank, N. A. – New York	Citibank, N. A. – New York	Citibank, N. A. – New York	Citibank, N. A. – New York	Citibank, N. A. – New York
Custodian Bank	Citibank, N. A. – Taipei Branch	Citibank, N. A. – Taipei Branch	Citibank, N. A. – Taipei Branch	Citibank, N. A. – Taipei Branch	Citibank, N. A. – Taipei Branch	Citibank, N. A. – Taipei Branch	Citibank, N. A. – Taipei Branch
ADSs Outstanding (Note 1)	24,000,000	46,222,650	48,222,650	71,407,859	76,893,859	83,453,859	87,453,859
Apportionment of expenses for the issuance and maintenance	(Note 2)						
Terms and Conditions in the Deposit Agreement and Custody Agreement	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details
Closing Price per ADS (US\$)	2004	High	US\$10.19				
		Low	US\$ 6.64				
		Average	US\$ 8.26				
	01/01/2005 - 02/28/2005	High	US\$ 9.43				
		Low	US\$ 7.68				
		Average	US\$ 8.49				

Note 1: TSMC has in aggregate issued 410,517,000 ADSs since 1997, which, if taking into consideration of stock dividend distributed over the period, would amount to 668,904,257 ADSs. As of February 28, 2005, total number of outstanding ADSs was 668,350,778 after 553,479 ADSs were redeemed. Stock dividend distributed in 1998, 1999, 2000, 2001, 2002, 2003 and 2004 was 45%, 23%, 28%, 40%, 10%, 8% and 14.08668% respectively.

Note 2: All fees and expenses such as underwriting fees, legal fees, listing fees and other expenses related to issuance of ADSs were borne by the selling shareholders, while maintenance expenses such as annual listing fees and accountant fees were borne by TSMC.

Note 3: All fees and expenses such as underwriting fees, legal fees, listing fees and other expenses related to issuance of ADSs were borne by TSMC and the selling shareholders, while maintenance expenses such as annual listing fees and accountant fees were borne by TSMC.

06/07/2000 - 06/15/2000	05/14/2001 - 06/11/2001	06/12/2001	11/27/2001	02/07/2002 - 02/08/2002	11/21/2002 - 12/19/2002	07/14/2003 - 07/21/2003	11/14/2003
NYSE	NYSE	NYSE	NYSE	NYSE	NYSE	NYSE	NYSE
1,167,873,850	240,999,660	297,649,640	320,600,000	1,001,650,000	160,097,914	908,514,880	1,077,000,000
35.75	20.63	20.63	16.03	16.75	8.73	10.40	10.77
32,667,800	11,682,000	14,428,000	20,000,000	59,800,000	18,348,000	87,357,200	100,000,000
Cash Offering and TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders (Pursuant to ADR Conversion Sale Program)	TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders (Pursuant to ADR Conversion Sale Program)	TSMC Common Shares from Selling Shareholders	TSMC Common Shares from Selling Shareholders
163,339,000	58,410,000	72,140,000	100,000,000	299,000,000	91,740,000	436,786,000	500,000,000
Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders	Same as those of Common Share Holders
Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Citibank, N. A. - New York	Citibank, N. A. - New York	Citibank, N. A. - New York	Citibank, N. A. - New York	Citibank, N. A. - New York	Citibank, N. A. - New York	Citibank, N. A. - New York	Citibank, N. A. - New York
Citibank, N. A. - Taipei Branch	Citibank, N. A. - Taipei Branch	Citibank, N. A. - Taipei Branch	Citibank, N. A. - Taipei Branch	Citibank, N. A. - Taipei Branch	Citibank, N. A. - Taipei Branch	Citibank, N. A. - Taipei Branch	Citibank, N. A. - Taipei Branch
144,608,739	156,290,739	170,718,739	259,006,235	318,806,235	369,019,413	485,898,166	585,898,166
(Note 3)	(Note 2)						
See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details	See Deposit Agreement and Custody Agreement for Details

8. Status of Employee Stock Option Plan (ESOP)

8.1 Issuance of Employee Stock Options

ESOP Granted	First Grant	Second Grant	Third Grant
Approval Date by the Securities and Futures Bureau	06/25/2002	06/25/2002	06/25/2002
Issue (Grant) Date	08/22/2002	11/08/2002	03/07/2003
Number of Options Granted	18,909,700	1,085,000	6,489,514
Percentage of Shares Exercisable to Outstanding Common Shares	0.10154%	0.00583%	0.03485%
Option Duration	10 years	10 years	10 years
Source of Option Shares	New Common Share	New Common Share	New Common Share
Vesting Schedule	2nd Year: up to 50% 3rd Year: up to 75% 4th Year: up to 100%	2nd Year: up to 50% 3rd Year: up to 75% 4th Year: up to 100%	2nd Year: up to 50% 3rd Year: up to 75% 4th Year: up to 100%
Shares Exercised	317,550	62,000	0
Value of Shares Exercised (NT\$)	13,273,590	2,498,600	0
Shares Unexercised	18,919,793	1,288,513	6,765,199
Original Grant Price Per Share (NT\$)	53.0	51.0	41.6
Adjusted Exercise Price Per Share (NT\$)	41.8	40.3	32.8
Percentage of Shares Unexercised to Outstanding Common Shares	0.08137%	0.00554%	0.02909%
Impact to Shareholders' Equity	Dilution to Shareholders' Equity is limited	Dilution to Shareholders' Equity is limited	Dilution to Shareholders' Equity is limited

8.2 ESOP Granted to Management Team and to Top 10 Employees with an Individual Grant Value over NT\$30,000,000

Title	Name	Number of Options Granted (Note 2)	% of Shares Exercisable to Outstanding Common Shares
Chairman & Chief Executive Officer	Morris Chang (Note 1)	3,147,813	0.01354%
President & Chief Operating Officer	Rick Tsai (Note 1)		
Senior Vice President	Stephen T. Tso (Note 1)		
Senior Vice President	Kenneth Kin (Note 1)		
Vice President	C. C. Wei (Note 1)		
Vice President	Mark Liu (Note 1)		
Vice President & General Counsel	Richard Thurston (Note 1)		

Note 1: TSMC granted options to certain of its officers (as listed above) as a result of their voluntary selection to exchange part of their profit sharing for stock options in 2003.

Note 2: Number of Options Granted includes the additional shares due to stock dividend distributed in 2004.

As of 02/28/2005

Fourth Grant	Fifth Grant	Sixth Grant	Seventh Grant	Eighth Grant
06/25/2002	10/29/2003	10/29/2003	10/29/2003	10/29/2003
06/06/2003	12/03/2003	02/19/2004	05/11/2004	08/11/2004
23,090,550	842,900	15,720	11,167,817	135,300
0.12399%	0.00453%	0.00008%	0.05510%	0.00058%
10 years	10 years	10 years	10 years	10 years
New Common Share	New Common Share	New Common Share	New Common Share	New Common Share
2nd Year: up to 50% 3rd Year: up to 75% 4th Year: up to 100%	2nd Year: up to 50% 3rd Year: up to 75% 4th Year: up to 100%	2nd Year: up to 50% 3rd Year: up to 75% 4th Year: up to 100%	2nd Year: up to 50% 3rd Year: up to 75% 4th Year: up to 100%	2nd Year: up to 50% 3rd Year: up to 75% 4th Year: up to 100%
0	0	0	0	0
0	0	0	0	0
23,437,165	736,033	15,258	11,355,403	135,300
58.5	66.5	63.5	57.5	43.8
46.2	57.8	55.2	49.9	43.8
0.10080%	0.00317%	0.00007%	0.04884%	0.00058%
Dilution to Shareholders' Equity is limited	Dilution to Shareholders' Equity is limited	Dilution to Shareholders' Equity is limited	Dilution to Shareholders' Equity is limited	Dilution to Shareholders' Equity is limited

As of 02/28/2005

Exercised				Unexercised			
Shares Exercised	Exercise Price Per Share	Value of Shares Exercised (NT\$)	% of Shares Exercised to Outstanding Common Shares	Shares Unexercised	Adjusted Grant Price Per Share	Value of Shares Unexercised (NT\$)	% of Shares Unexercised to Outstanding Common Shares
0	0	0	0	3,147,813	32.8	103,248,266	0.01354%

9. Status of Mergers and Acquisitions: No mergers or acquisitions were undertaken in 2004.

10. Corporate Governance

Maintaining the highest standards of corporate governance has been an integral expression of TSMC's core values since its founding. TSMC advocates and upholds operational transparency and respect for shareholder rights. We believe that the basis for successful corporate governance is a sound and effective Board of Directors. In line with this principle, TSMC's Board of Directors established an Audit Committee in 2002 and a Compensation Committee in 2003.

During 2004, TSMC received numerous awards for being the best managed company in Taiwan with respect to corporate governance. However, we believe that good governance is fundamentally a global issue. We hold ourselves to world class standards of integrity and fairness, and our benchmarks for transparency and disclosure are international ones.

10.1 Audit Committee

The Audit Committee assists the Board in fulfilling its financial oversight responsibilities, which include reviewing the Company's financial reports, the Company's auditing and accounting policies and procedures, and the Company's systems of internal control.

TSMC's Audit Committee is empowered by its Charter to conduct any study or investigation it deems appropriate to discharge its responsibilities. It has direct access to TSMC's internal auditors, the Company's outside independent auditors, and all employees of the Company. The Committee is authorized to retain and oversee special legal, accounting or other consultants as it deems appropriate to fulfill its charter purposes.

As of March 2005, there were four members on the Audit Committee: three independent directors and a supervisor of TSMC. The Committee meets at least four times a year. The Audit Committee convened four regular meetings and two special meetings in 2004.

10.2 Compensation Committee

The Compensation Committee assists the Board in discharging its responsibilities related to compensation and benefit policies, plans and programs of TSMC, and evaluation and compensation of TSMC's executives, directors and supervisors.

As of March 2005, the Compensation Committee was comprised of five members: three independent directors serving as voting members of the Committee, and two non-voting directors. The Committee meets at least four times a year. The Compensation Committee convened four regular meetings in 2004.

10.3 Taiwan Corporate Governance Implementation as Required by SFB

Item	Implementation Status	Reason for Non-Implementation
<p>1. Shareholding Structure & Shareholders' Rights</p> <p>(1) The way of handling shareholder suggestions or disputes</p> <p>(2) The Company's possession of major shareholder's list and the list of ultimate owners of these major shareholders</p> <p>(3) Risk Management Mechanism and Fire Wall between the Company and its affiliates</p>	<p>TSMC has designated relevant departments, such as Investor Relations, Public Relations, Legal, etc., to handle shareholder's suggestions or disputes.</p> <p>TSMC tracks the shareholdings of directors, supervisors, officers, and shareholders holding more than 10% of the outstanding shares of TSMC.</p> <p>TSMC has established relevant guidelines in its "Internal Control System" policy and procedures.</p>	Not Applicable
<p>2. Composition and Responsibilities of the Board of Directors</p> <p>(1) Independent Directors</p> <p>(2) Regular evaluation of external auditors' independency</p>	<p>Sir Peter Leahy Bonfield, Prof. Lester Carl Thurow, and Mr. Stan Shih are independent directors of TSMC.</p> <p>The Audit Committee regularly evaluates the independency of external auditors.</p>	Not Applicable
<p>3. Composition and Responsibilities of Supervisors</p> <p>(1) Independent Supervisor(s)</p> <p>(2) Communication channel with employees or shareholders</p>	<p>Prof. Michael E. Porter is an independent supervisor of TSMC.</p> <p>The employees and managers of relevant departments regularly report and present Company information to the Independent Supervisor; all Supervisor have access to Company employees or managers for information they need.</p>	Not Applicable
<p>4. Communication channel with stakeholders</p>	<p>TSMC designates relevant departments to communicate with stakeholders on a case by case basis.</p>	Not Applicable
<p>5. Information Disclosure</p> <p>(1) Establishment of corporate website to disclose information regarding the Company's financials, business and corporate governance status</p> <p>(2) Other information disclosure channels (e.g. English website, appointing responsible people to handle information collection and disclosure, appointing spokesperson, web-casting investors conference)</p>	<p>TSMC discloses information through its website www.tsmc.com.</p> <p>TSMC has designated relevant departments (e.g. Investor Relations, Public Relations, etc.) to handle the collection and disclosure of information as required by relevant laws and regulations of Taiwan and other jurisdictions.</p> <p>TSMC has designated spokespersons as required by relevant regulation.</p> <p>TSMC is the first Taiwan company that webcasts live investor conferences.</p>	Not Applicable
<p>6. Operations of the Company's audit committee and other committees of the Board of Directors</p>	<p>TSMC's Board of Directors has established an Audit Committee and a Compensation Committee. Please refer to "Corporate Governance" section on page 40 of this Annual Report for the details.</p>	Not Applicable
<p>7. If the Company has established corporate governance policies based on TSE Corporate Governance Best Practice Principles, please describe discrepancy between the policies and their implementation:</p> <p>For the status of TSMC's corporate governance, please refer to "Corporate Governance" section on page 40 of this Annual Report.</p>		

(Continued)

8. Other important information to facilitate better understanding of the Company's corporate governance practices (e.g. directors' and supervisors' training, directors' and supervisors' attendance of the board of director's meetings, the implementation of risk management policies and risk evaluation measures, the implementation of consumers/customers protection policies, the implementation of directors recusing themselves in case of conflicts of interests situations, purchasing insurance for directors and supervisors, and social responsibilities.):

(1) From time to time, TSMC provides to directors and supervisors information and training concerning regulatory requirements and developments as related to director' and supervisors' activities. TSMC management also regularly present Company's business and other information to directors and supervisors.

(2) The Board convened four regular meetings and one special meeting in 2004. Meeting attendance was as follows:

<u>Name of Directors/ Supervisor</u>	<u>Number of Meetings of Board of Directors Attended in 2004</u>
Directors:	
Morris Chang	5
Peter L. Bonfield	4
Lester C. Thurow	4
Stan Shih	4
Jan Lobbzoo	5
Scott McGregor	5
Chintay Shih	5
F. C. Tseng	5
Rick Tsai	5
Supervisors:	
Michael E. Porter	0 (Note)
Robbert Brakel	5
Susan Chang	1
James C. Ho (appointed in August 20, 2004 to replace Susan Chang)	1

(3) TSMC conducts risk management and risk evaluation pursuant to the internal policies established in accordance with relevant laws and regulations.

(4) TSMC's directors recuse themselves from voting on matters in which their interests conflict with TSMC's.

(5) TSMC maintains D&O Insurance for its directors, supervisors, and officers.

(6) TSMC established the "TSMC Education and Culture Foundation" in 1998 to perform its social responsibilities.

Note: Supervisor Michael E. Porter meets regularly with the Company's management in Taiwan. The management also reports to him periodically in the U.S. on the Company's business operations and financial statements, and seeks his advice on the Company's business strategy from time to time.

11. Social Responsibility Information

11.1 TSMC Education and Culture Foundation

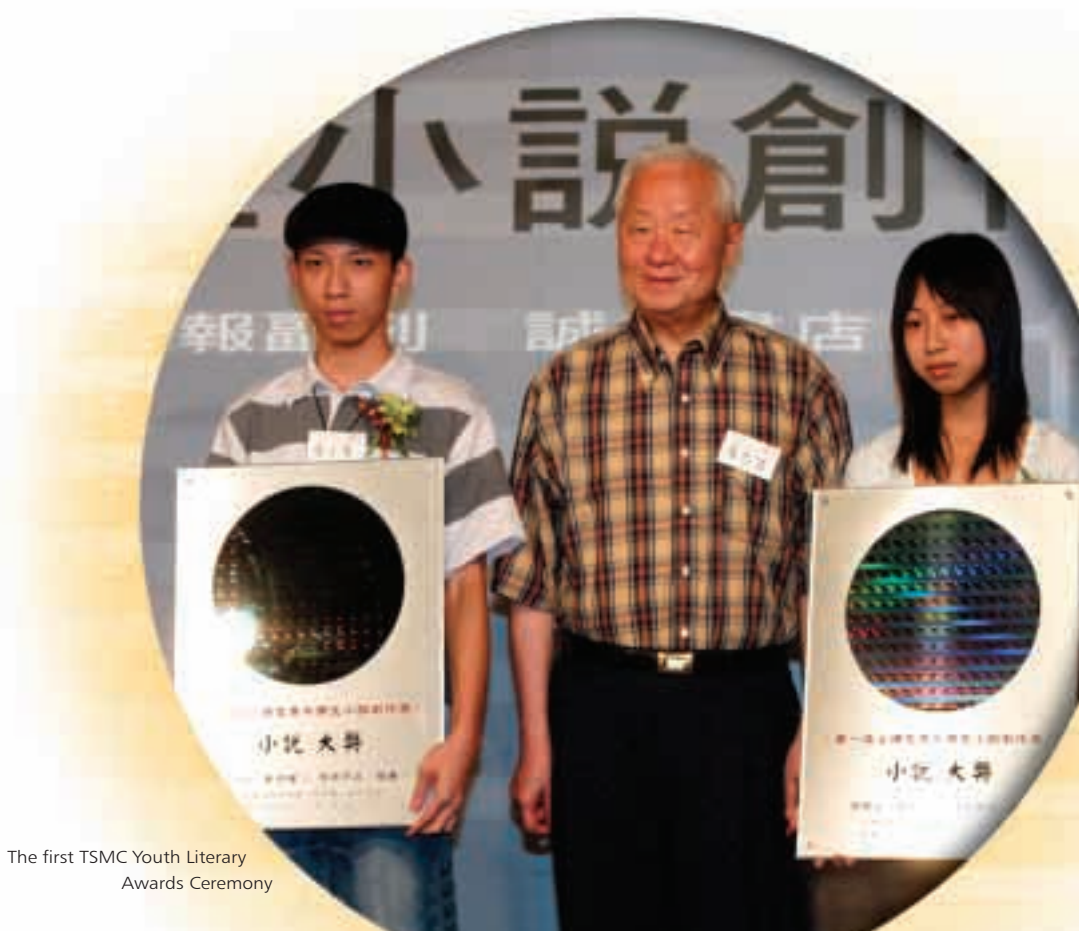
TSMC is dedicated to being a leading corporate citizen and has been an active sponsor of educational and cultural activities in Taiwan. In order to better consolidate and organize our contributions and fulfill our commitment to social responsibility, TSMC established the TSMC Education and Culture Foundation (TSMC Foundation) in 1998. Dr. F. C. Tseng, Deputy CEO of TSMC, has served as Chairman of the Foundation since 2002. Last year, in addition to existing long term projects, the Foundation started several new initiatives, including the "TSMC Scholarship", "TSMC Youth Novel Writing and Book Review Award" and "TSMC Volunteer Program".

Commitment to Education

To encourage underprivileged college students to pursue their education, in 2004 the Foundation created the TSMC Scholarship Fund. We have committed NT\$25 million over five years to help at least 250 students among five universities with outstanding academic performance to complete their college education. TSMC continues to support National Tsing Hua University in its effort to establish the School of Technology Management – TSMC Hall. The purpose of this project, to which TSMC is contributing a total of NT\$150 million, is to facilitate the training of technology professionals with management skill. Furthermore, the Foundation is committed to supporting related academic programs at leading universities with the objective of advancing technology education. To increase general public interest in science and technology, we also sponsored various science education programs in 2004, including the Tai-Yu Wu science writing award, Tai-Yu Wu science camp and C. S. Wu science camp.

Sponsorship of Art Events and Aesthetic Education

In 2004, we created "The TSMC Youth Novel Writing and Book Review Award" to promote creative writing and literary reading interest among youth. The competition was widely acclaimed, with 500 novels and 300 book reviews from all over Taiwan submitted for consideration. The Foundation sponsors outstanding national arts events and cultural exhibitions, including the "Taipei Museum of Modern Arts" to increase public interest and participation in fine arts. To stimulate interest in the arts from an early age, we promote children's aesthetic education. Year 2004 was the third consecutive year to support the "TSMC Aesthetic Education Tour", which organizes annual tours for nearly 10,000 children from rural areas throughout Taiwan to visit museums and fine arts institutes.



The first TSMC Youth Literary Awards Ceremony

Contributions to the TSMC Site Community

We strive to enrich the site communities and make them better places to live. TSMC is thus committed to promoting various educational, artistic and charitable initiatives at two of our largest operating sites, "Hsinchu" and "Tainan". In 2004, we once again sponsored the "TSMC Hsinchu Art Festival". This year's themes included "Classical Drama", "Children's Esthetic Programs" and a series of "Stories of Creativity" lectures. The Festival brought high-quality artistic events to the local community and created opportunities for the local audience to enjoy the beauty of the fine arts. In the summer of 2004, the Foundation also assisted "Tao-Shan" primary school in Hsinchu County successfully to cope with devastating typhoon damage. The school was relocated and provided with operational support that enabled it to continue serving students in spite of the storm. In Tainan, we continued to sponsor the "National Cheng Kung University Culture and Art Festival" and to support the publication of the picture book "The Beauty of Tainan".

Dedication to Employee Volunteer Program

In addition to financial sponsorships, TSMC encourages employees to give back to the communities in which they live and work, thus directly contributing to the improvement of the society as a whole. We initiated and organized the "TSMC Guide Volunteer Program" at the National Museum of Natural Science, in which TSMC employees serve as guides on weekends for the IC exhibition we sponsor. In 2004, 200 volunteers joined the program and served a total of 4,000 hours and 170,000 visitors to the museum. We also initiated the "TSMC Book Reading Volunteer Program", started in September 2004 with 50 members. The program provides book reading events at rural schools in the Hsinchu area, stimulating the reading interest of children and inspiring them towards a better tomorrow.

11.2 Other Social Issues

Health and Safety Performance

TSMC is committed to achieving the highest standards of health and safety. TSMC offers comprehensive health care and employee assistance programs at all of its operating sites. Employees have access to on-site clinics, stress management and counseling services, a 24-hour nursing service, annual physical check-ups, women's health services, cancer screening, on-site fitness facilities and programs, weight management services, and a series of health awareness programs. All employees have access to the company's web-based wellness information and health programs.

Policies and Procedures Relating to Adherence to Environmental, Safety and Health Regulations

TSMC believes its environmental, safety and health (ESH) practices should not only meet the relevant legal requirements, but also benchmark recognized international practices. The Company's goals are to prevent pollution and efficiently use all resources, prevent incidents, improve employees' safety and health, protect property and establish a work environment that promotes the well-being of our employees and the communities in which we operate. In 2004, TSMC continued its efforts on Environmental Accounting, Life Cycle Assessment, Green Procurement, Traffic Safety, Employee Ergonomics Promotion and Contractor Management.

TSMC actively incorporates risk management concepts in new building design and process development. In order to minimize potential operational losses, the Company regularly evaluates and enhances electrical and seismic protection during installation of tools and equipment, thus reducing the risk of operation interruption.

Equal Opportunity Employment

TSMC believes in equal opportunity employment and values the diversity its staff contributes. Recruitment is conducted via open selection and is based on candidate merit to meet the needs of each position, regardless of race, gender, age, religion, nationality or affiliation.

Supplier Selection Process and Criteria Regarding Social and Environmental Issues

In 2004, TSMC conducted a "Green Supply Chain Project" sponsored by the IDB (Industrial Development Bureau). This project has set up a green procurement procedure for requesting raw material suppliers to set up environmental management systems and to officially declare that they do not and will not use prohibited substances.

Social and Environmental Impacts of TSMC's Outsourced Operations and Contractors

TSMC has promoted a "Responsible Care Program" to assist contractors to enhance the Company's Environmental, Safety and Health (ESH) management system. TSMC collected input from contractors and communicated its expectations on ESH performance to its contractors annually. Drawing on content from the Voluntary Protection Program (VPP), TSMC has developed an "ESH Auditing Manual" used for auditing major contractors.

Social and Environmental Impacts of TSMC's Suppliers

TSMC has conducted a "Life Cycle Assessment" (LCA) for 6-inch and 8-inch wafer processes to evaluate the environmental impact from and on the manufacturing process and supply chain. This study collected and analyzed data from the entire chip manufacturing chain, from raw materials suppliers to finished products, and included statistics for such items as energy and raw materials consumption and generation of pollutants. The LCA study has established an eco-profile and the values of environmental loadings of chip manufacturing, which can be provided to TSMC's customers upon request.



TSMC's in-house mask shop is one of the world's largest mask making facilities.

OPERATIONAL HIGHLIGHTS

1. Business Activities

1.1 Business Scope

TSMC excels in all aspects of its business. This excellence includes process technologies, wafer manufacturing and logistics, capacity utilization, customer service, as well as a wide range of support services including design services, mask manufacturing, wafer probing, and in-house bumping and testing. The essence of our foundry business is the success of our customers. TSMC continually strives to provide the overall best value to its customers.

1.2 Customer Applications

Over the past 18 years, more than five hundred customers worldwide have relied on TSMC to manufacture chips used across the entire spectrum of electronic applications. A far from exhaustive list of applications includes computers and peripherals, information appliances, wired and wireless communications systems, automotive and industrial equipment, as well as consumer electronics such as DVDs, digital TVs, game consoles, and digital still cameras (DSCs).

The rapid evolution of end products drives our customers to utilize TSMC's innovative technologies and services, while concurrently propelling TSMC to further its own technology development. As always, success depends on leading rather than following industry trends.

1.3 Net Sales over the Last Two Years

Unit: Quantity (8-inch wafer)
Amount (NT\$ thousands)

		2004		2003	
		Quantity	Amount	Quantity	Amount
Wafer	Domestic	1,012,161	33,226,052	734,922	24,704,913
	Export	3,781,577	192,108,136	2,895,843	156,792,897
Package	Domestic	110	12,135	175	18,960
	Export	231,568	12,749,599	66,238	5,094,196
Other	Domestic	13,497	1,891,631	14,771	2,211,759
	Export	39,298	16,004,875	37,963	13,081,616
Total	Domestic	1,025,768	35,129,817	749,868	26,935,632
	Export	4,034,443	220,862,610	3,000,044	174,968,709

1.4 Production over the Last Two Years

Unit: Capacity / Quantity (8-inch wafer)
Amount (NT\$ thousands)

Wafers			
Year	Capacity	Quantity	Amount
2004	4,787,523	4,799,657	127,840,620
2003	4,013,855	3,588,871	108,043,471

2. Customers

TSMC's global customers have diverse product specialties, and enjoy prominent standing in various business segments of the semiconductor industry. Fabless segment customers include Altera Corporation, ATI Technologies, Inc., Broadcom Corporation, Marvell Semiconductor, Inc., nVidia Corporation, Qualcomm Inc. and VIA Technologies, Inc. IDM customers include Analog Devices, Inc., Freescale Semiconductor, Inc., Philips Semiconductors, and Texas Instruments, Inc. TSMC's business with nVidia Corporation amounted to over 10% of Company revenue in 2003. Due to substantial increase of revenue and more diversified customer base, no single customer accounted for more than 10% of Company revenue in 2004.

2.1 Customer Service

TSMC is a service-oriented company and believes customer service is the critical factor in enhancing customer loyalty. In turn, customer loyalty leads to higher levels of customer retention and expansion of business relationships. TSMC's goal is to maintain its position as the most advanced and largest technology and foundry service provider. TSMC believes that achieving this goal will help retain existing customers, attract new customers, and strengthen their partnership relationship with TSMC.

To facilitate customer interaction and information access on a real-time basis, TSMC has established a range of internet-based services covering applications in design collaboration, engineering collaboration, and logistic collaboration. They are collectively branded as eFoundry™.

2.2 Customer Satisfaction

TSMC conducts regular reviews and surveys to ensure that customers' needs are being adequately addressed. Continual improvement plans supplemented by customer feedback are an integral part of this business process.

2.3 Market Expansion/Penetration

TSMC continues to diversify its customer base while supporting the growth of its existing customers. Of 300 active customers in 2004, 45 were new. TSMC's customers also gained market share, notably in a number of end applications in computers, wired communications, wireless communications, and consumer electronics.

3. Raw Material Supply

Major Materials	Major Suppliers	Market Status	Procurement Strategy
Wafer	MEMC S. E. H. Siltronic SUMCO	There are four suppliers combined provide over 80% of the world's wafer capacity. Each supplier has multiple manufacturing sites, including USA, Asia and Europe, to meet customer and market demands.	TSMC's suppliers of silicon wafer are required to pass stringent quality certification procedures. TSMC procure wafers from multiple sources to ensure adequate supplies for volume manufacturing and to reinforce risk management. TSMC maintains competitive price and service agreements with its wafer suppliers and when necessary includes strategic and collaborative agreements with key suppliers. TSMC reviews quality, delivery, cost and service performance of its wafer suppliers and reflects the reviews in TSMC's orders accordingly. An periodical audit of each wafer supplier's physical quality system ensures TSMC maximum quality maintenance.
Chemicals	Merck Tai-Young High Tech (TYS)	These two companies are major bulk chemical suppliers worldwide. The chemical raw materials of these two suppliers are imported from Japan or Taiwan local producers, primarily to support the Taiwan market.	Both suppliers have localized many of their operations closer to TSMC's major manufacturing centers, improving inventory and quality control significantly. TSMC audits the suppliers' physical quality to maintain specifications and ensure quality control.
Photoresist	AZ Shin-Etsu Chemical Sumitomo T. O. K.	These four companies are worldwide major photoresist suppliers. These four suppliers are competitors in the Taiwan market. They all store stock in Taiwan and provide just in time service.	TSMC provides a three-month forecast of rolling demand to its photoresist suppliers to give them adequate preparation time. TSMC monitors suppliers' inventory status through their respective monthly inventory reports. TSMC's IQC personnel conduct monthly physical inventory checks at suppliers' warehouses to confirm material quality and availability. TSMC conducts annual audits of each supplier's physical quality system to ensure quality, supply, and availability of photoresist.
Specialty Gases	Air Liquide Air Products BOC Taiyo Toyo Sanso	These four companies are worldwide major specialty gas suppliers. These four suppliers are competitors; their products are mutually replaceable. Other domestic suppliers are available and ready to penetrate the Taiwan market, thus facilitation TSMC to secure better commercial terms in the future.	TSMC's four major specialty gas suppliers are located in Japan, USA and the UK, providing sufficient geographic dispersion to minimize supply risk. Products of four suppliers are mutually replaceable, ensuring competitive pricing and quality service. TSMC requires each supplier to provide monthly inventory reports as a measure to monitor and ensures steady provisions. TSMC conducts annual audits of each supplier's physical quality system to ensure quality and supply availability of specialty gases.

4. Employees

Attracting and retaining the right talent is one of the key objectives of TSMC's human resources strategy. TSMC's total workforce numbered 18,597 as of year-end 2004, representing an increase of 15.8% from year-end 2003. TSMC recruited 94 managers, 1,873 professionals and 3,013 technicians during the year. By the end of February 2005, TSMC's total workforce reached 18,570.

In 2004, the Company employed a total of 1,853 managers and 6,671 professionals. Of the 1,853 managers, 11.1% were female. Non-Taiwanese nationals made up 2.5% of TSMC's workforce at the managerial and professional levels. By the end of February 2005, there were 1,882 managers and 6,715 professionals.

TSMC's staff are well educated: 2.4% of employees hold PhD's, 26.5% Master's degrees, 17.6% university Bachelor's degrees, 23.9% other college degrees, and 29.6% high school diplomas.

The following tables show the TSMC personnel structure from 2003 to February 28, 2005.

TSMC Workforce Structure by Job Title

	12/31/2003	12/31/2004	02/28/2005
Manager	1,627	1,853	1,882
Professional	5,697	6,671	6,715
Assistant Engineer/Clerical Staff	816	754	750
Technician	7,926	9,319	9,223
Total	16,066	18,597	18,570

TSMC Workforce Structure by Gender, Age and Years Served

		12/31/2003	12/31/2004	02/28/2005
Gender	Male	43.2%	45.4%	45.8%
	Female	56.8%	54.6%	54.2%
Average Age		30.3	30.5	30.6
Average Service Year		4.6	4.6	4.8

4.1 Human Capital

TSMC strives to create and maintain an environment that provides favorable workplace conditions, offers personal challenges, and supports career development. TSMC also encourages the development of professional know-how, a positive attitude, affirmative values, honest behavior and genuine commitment to succeed as a member of the TSMC team. There were no labor disputes that caused the company financial losses from January 1, 2004 to February 28, 2005.

4.2 People Development

Continuous learning is the cornerstone of TSMC's employee development strategy. TSMC provides its employees with a range of technical, professional and management training programs, and promotes "On-the-Job Training" (OJT) initiatives for new employees. Since its launch in 2002, the Individual Development Plan (IDP) program has become an effective tool to enhance organizational learning in the area of employees' personal development as well as the Company's business needs.

4.3 Employee Satisfaction

TSMC conducts an annual Employee Satisfaction Survey to determine levels of employee involvement and engagement. As an indicator of employee satisfaction, TSMC was recognized as a "2003 Best Employer in Asia" and a "Best Employer in Taiwan" in a survey conducted by Hewitt Associates, the *Asia Wall Street Journal*, and the *Far Eastern Economic Review*.

To foster a dynamic and fulfilling work environment, TSMC launched a series of company-wide employee relations programs in 2004, such as Zest-for-Life@TSMC. These programs include an annual sports day, family day, engineer/secretary festival, and "heart talk" speeches, Employee Assistance Programs (EAPs), and many other programs and events.

4.4 Compensation

The Company's compensation program consists of cash compensation and profit sharing. Cash compensation includes monthly salary and a quarterly variable incentive bonus. The profit sharing program consists of cash and stocks. The Company appropriates a certain percentage of its earnings available to common stockholders for distribution to employees under the profit sharing program. The purpose of this distribution is threefold: to reward employees' contributions appropriately; to encourage employees to work consistently and continuously to ensure the success of the Company; and to link employees' interests with those of TSMC's shareholders. The amount and form of the distribution depend on the recommendation of the Compensation Committee to the Board of Directors and are subject to shareholder approval at the Annual General Meeting. Individual awards are based on each employee's job responsibility, contribution and performance.

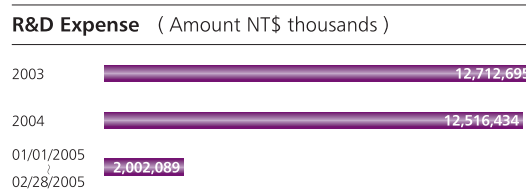
In line with respective local market practices, the Company either grants stock options or distributes performance bonuses to overseas employees. Stock option grants are based on the policies outlined in TSMC's "Employee Stock Option Program." The options are granted for a period of ten years, with a vesting schedule of 50% upon completion of a two-year period, 75% after three years and 100% after four years. Distribution of performance bonuses is based on operating results as well as individual employees' performances.

5. Innovation

5.1 R&D Organization and Investment

TSMC increased its R&D investment and expanded its world-class R&D organization to extend Moore's Law and provide best-in-class semiconductor technology and design solutions to our customers. Overall, R&D staff grew by 10.3% in 2004, while total expenditure reached over NT\$12.5 billion. For advanced process development, TSMC strengthened the capability and expanded the capacity of its 300mm R&D pilot line in 2004. This expansion served to accommodate its growing R&D development activities to support additional business growth with our customers.

In 2004, the former CTO office and its Exploratory Technology function, and the Design Service function were fully integrated with the rest of R&D to speed up the introduction of new logic transistors, memory devices, and interconnect into TSMC technology offering. TSMC also expanded its external R&D partnership and alliance activities with tool and materials vendors, International Sematech, as well as the ASIC/SoC technology alliance with Freescale, Philips, and STMicroelectronics. A new SOI joint development alliance was formed with Freescale to develop cutting-edge 90nm and 65nm SOI technology and to set up basic SOI design infrastructure. This new alliance supplements the Company's mainstream internal bulk CMOS technology R&D. In addition, TSMC also strengthened its collaborative research with key partners for design-process co-optimization, which will enable the best technology and design solutions for product success in the complex and challenging nanometer era.



5.2 R&D Accomplishments in 2004

Reflecting its ongoing commitment to innovation, TSMC was granted 460 US patents and 516 ROC patents in 2004. With a growing number of key patent disclosures and patents granted over the past years, TSMC now has a rich and strong patent portfolio, as well as other significant intellectual property assets. Our intellectual capital not only is a key to maintaining our technology leadership and independence, but also provides the Company with cross-licensing and royalty benefits.

TSMC pioneered immersion lithography and worked closely with tool partners to set up the infrastructure and to enable readiness of prototyping and production of tools. This technology can extend the resolution capability of conventional 193nm imaging tools down to the 32nm technology node, without having to rely on expensive, high-risk 157nm alternatives. In 2004, TSMC demonstrated the manufacturing feasibility of 193nm immersion lithography using the state-of-the-art 90nm process. This is a breakthrough.

TSMC continued to expand its advanced device and large-diameter wafer manufacturing. In 2004, TSMC's 12-inch Fab 12 qualified the Company's industry-leading manufacturable 90nm CMOS logic process featuring advanced Cu/low-k interconnects. TSMC also proved the baseline process of a 65nm CMOS logic platform featuring a gate length in the range of 35-45nm. A 6T-SRAM design with industry-leading cell size was functionally proven with the 65nm baseline process. TSMC also worked on demonstrating an extreme low-k dielectric process. Development of a 45nm CMOS logic platform was also initiated in 2004.

TSMC continued to engage in, and expand, exploratory research activities such as strained-Si processes, high-k gate dielectrics, metal gates, nano devices, SOI technology, MRAM, and advanced RFIC features. These activities cover long-term, potentially high-payoff, and over-the-horizon technologies. Several novel innovations arising from this exploratory research were published in 2004, including 5nm nanowire devices, functional 1Mb MRAM devices, and innovative strained-Si techniques on both bulk silicon and SOI substrates. In addition to preparing the way for future industry developments, this exploratory work also strengthens TSMC's future patent position.

5.3 Spectrum of New Technologies

In addition to the highlights noted above, TSMC introduced a rich mix of new process technologies. For example,

Mixed-Signal/Radio Frequency Technology

TSMC developed a 90nm mixed signal/radio frequency (MS/RF) technology and offered it to customers for mass production, with excellent product performance. The new technology features a high-performance metal inductor with a high quality factor of more than 20, making RF SoC a reality.

Silicon Germanium BiCMOS Technology

TSMC completed process qualification of a foundry-based 0.18 μ m versatile SiGe BiCMOS technology for mass production. This integrated technology enables microwave power amplifier applications as well as provides a single chip solution for high performance, low power, low noise, wired and wireless applications.

0.18 μ m CMOS Image Sensor Process

Following strong growth in volume production of the 0.18 μ m 3T CMOS image sensor process, TSMC developed and qualified a higher performance 0.18 μ m 4T pinned-diode CMOS image sensor process. This new process is aimed at small pixel-size, high-resolution and high-performance pixel arrays for high-end imaging applications. Because it is fully compatible with TSMC's 0.18 μ m CMOS logic and embedded memory processes, it enhances the System-On-Chip (SoC) platform for consumer and industrial applications such as mobile phones, DSCs, security and other image sensor markets.

Embedded High Density Memory Technology

TSMC saw stronger demand for embedded high-density memory from customers who urgently need a SoC solution for applications such as handheld devices, games, DSCs, HDDs & communication applications. TSMC's 0.13 μ m 1T-Q, which is a smaller, higher density version of planar 1T-RAM, passed qualification and entered volume production in 2004. TSMC's 90nm 1T-MIM featuring a 0.21 μ m² MIM capaci-

tor with high-k dielectric demonstrated 100% yield at 8Mb memory density. This cell size is only one-fifth that of the most aggressive 6T-SRAM in the 90nm technology node. Qualification is in progress and volume production will be initiated in the second half of 2005.

Flash/Embedded Flash Technology

TSMC's 0.18 μ m embedded Flash technology was qualified for production release in 2004. Several customers currently have production runs underway utilizing this technology. In addition, a self-aligned Flash with 32Mb density is now in volume production. Development work on 0.18 μ m automotive embFlash technology is in progress, with fully functional 8Mb IP demonstrated in 2004. Meanwhile, TSMC's 0.13 μ m embedded Flash technology creates synergy between devices at the 0.18 μ m and 0.13 μ m nodes. Both excellent data retention and endurance were demonstrated in 2004 on 8Mb IP with a new copper backend process.

Mask Technology

Mask technology is an integral part of advanced lithography. TSMC has proprietary resolution-enhancement techniques that are closely optimized with our in-house mask-making technology, including optical proximity correction, phase-shift, and other resolution-assist mask features. TSMC mask facilities feature state-of-the-art mask writers, etchers, and inspection and repair tools for both R&D and production use. TSMC's strength in mask technology R&D and production provides significant benefits to our customers in terms of technical excellence, quality, fast cycle time, and one-stop service. In 2004, the Company successfully established high-quality, cost-effective 65nm generation mask-making technology and mass production capability. We also demonstrated mask technology capabilities for the coming 45nm generation of devices. The Company has also developed metrology using e-beam, scatterometry, and electrical techniques to support wafer lithography and mask making.

Design Services

TSMC announced Reference Flow 5.0 at the 2004 Design Automation Conference. This new Reference Flow addresses several key issues for chip designs based on advanced process technology. With it, TSMC continues to set industry standards for foundries in providing solutions for advanced design methodologies. Having launched the industry's first multiple-Vt library, TSMC continued adding more advanced features such as back-bias and design-for-manufacturing (DFM) compliance layouts in 2004 in order to address today's top design challenges involving power management and DFM.

5.4 R&D Plans for 2005

Moving forward, TSMC's R&D focus will be on Nexsyssm 65nm, 45nm-logic/mixed signal technology platforms, and related embedded memory for SoC applications in 300mm wafers. Intense effort will be devoted to qualifying the 65nm node with superior transistor performance featuring a strong strained Si process and sub-0.5 μ m² 6T SRAM cell size, both in bulk CMOS and SOI. The development efforts on 45nm should produce new technology advances in 2005, particularly in the pioneering areas of high-k gate dielectrics, metal gates, and extreme-low-k interconnects.

Other development projects include: 65nm mixed signal/RF for communication applications; qualification of 90nm embedded 1T MIM memory for high-density applications; 0.13 μ m embedded Flash IP development; 0.13 μ m 4T CMOS image sensor technology; 0.18 μ m high-voltage process modules; as well as low power, low cost, customized SiGe RF BiCMOS technologies.

TSMC plans to maintain its long-term lead over competitors in the foundry industry through a strong exploratory technology research program. The R&D team will explore process capabilities beyond the 45nm technology node, for 25nm geometries and smaller. Exploratory work continues on new transistors and process technologies such as SOI, 3D structures, MRAM, strained-layer CMOS and novel SoC features. The fruits of exploratory technology development are being evaluated for implementation at future technology nodes such as 45nm and 32nm. The goal is to extend Moore's law through innovative in-house work, as well as collaborating with industry leaders and academia to push the envelope in finding cost-effective solutions.

TSMC plans to continue working closely with international consortia and photolithography equipment suppliers to ensure timely development of 193 high NA scanner technology, liquid immersion lithography, and massively parallel E-Beam direct write and EUV scanner

technology to support process development at the 45nm node and beyond. TSMC will also continue to collaborate with mask inspection equipment suppliers to develop aerial image inspection techniques. This will help ensure that TSMC maintains the Company's leadership position in mask quality and cycle time, and continues to meet aggressive R&D, prototyping and production requirements.

TSMC will continue to invest heavily to expand R&D capabilities. With a highly competent and dedicated R&D team and an unwavering commitment to innovation, TSMC is confident of its ability to deliver the best and most cost-effective SoC technologies for our customers and support our business growth.

6. Efficiency

Yield Management

Reducing the time to achieve yield maturity for new products is a very important goal to TSMC. TSMC has developed a comprehensive technology transfer methodology -- from R&D to production -- to shorten the new technology learning curve. TSMC has a proven record in delivering the industry's best-yield performance to customers.

Delivery Management

TSMC has a proven record of providing customers with a consistent product delivered on time. To become even more responsive to change, TSMC has re-engineered its demand fulfillment system as well as developed a state-of-the-art manufacturing scheduling system to further enhance our delivery accuracy

Cycle Time Management

Delivering products with short demand fulfillment cycle time is key to our customers' business success. To create this value for our customers, TSMC has developed a sophisticated manufacturing scheduling and dispatching system, as well as embarked on Lean manufacturing approach.

Flexible Manufacturing Management

Flexible Manufacturing is a crucial element addressing the current unpredictability of forecasting demand. TSMC is able to meet sudden customer demand surges, due in large part to our cluster Fab capability as well as extensive performance matching know-how for tools and factories (Fabs).

Inventory Management

TSMC made great progress in 2004 on materials planning methodology development, which improves current operations through systematic, easy-to-measure, consistent and integrated IT platform. The results are demonstrated by the accuracy of materials requirements, management of abnormal materials consumption, and reduction of excess inventory for both TSMC and suppliers. TSMC's standard usage monitor mechanism not only enhances the sensitivity of abnormal usage detection but also facilitates usage alignment among fabs.

Knowledge Management

TSMC has built the industry's leading, state-of-the-art knowledge management system. TSMC's vast repository system for the capture of key knowledge also features a sophisticated expert system that embeds this captured knowledge into our engineering system. TSMC is the only Taiwan company that has been awarded the Most Admired Knowledge Enterprises (MAKE) award, the most prestigious award in the knowledge management community, in 2002 and 2003.

7. Quality

TSMC commits itself to providing its customers with the best quality wafers for their products. TSMC Quality and Reliability (Q&R) partners with customers and the entire TSMC team to achieve "quality-in-time" for customers' time to market. In the design stage, Q&R technical services assist customers to design-in their product reliability requirements. Q&R also works with R&D in process development to

assure reliability performance, not only for a variety of circuit devices, but also for different types of IC packages. Systems have been deployed by Q&R to ensure robust quality in managing production dynamics in meeting customers' business demand. To sustain production quality and minimize customer risk when deviation occurs, manufacturing quality monitoring and event management span all critical stages -- from raw material supply, mask making, real time in-process monitoring, to wafer sort/assembly, and customer field quality performance. Leading edge, fast-turn-around failure analysis techniques are used from process development to customer production issues.

TSMC Q&R is also responsible to lead the company towards the ultimate goal of zero defect through continuous improvement programs in terms of cost consciousness, efficient systems and effective methodologies. Customer feedback indicates that products shipped from TSMC have either met or exceeded their field quality requirements in the marketplace. From independent surveys, customers have consistently ranked TSMC overall quality higher than the competition. Also, in 2004, TSMC received certification for the third consecutive year of ISO/TS 16949 that meets the Automotive industry's quality requirement.

8. Environmental Protection

PFCs Emission and Air Quality Control

TSMC has endorsed a Memorandum of Understanding (MOU) between the Taiwan Semiconductor Industrial Association and ROC-Environmental Protection Administration (EPA), where TSMC is committed to reducing perfluorinated compounds (PFCs) emission to 10% below the average of 1997 and 1999 by 2010. Based on the MOU, TSMC has set up a PFCs reduction policy and implementation roadmap. To achieve committed reduction target, approaches like process optimization, chemical replacement and abatement are necessary. Installation of PFCs abatement tools for etching process has been included at the beginning stage of new fab. Moreover, the emission of volatile organic compounds, acid gases, and alkali gases are also well controlled in compliance with regulation.

Water Consumption and Conservation

To improve water recovery rate and reduce water consumption, TSMC has focused on developing reclamation technology for the Chemical Mechanical Polishing (CMP) process wastewater in 8-inch and 12-inch fabs. In 2004, TSMC successfully launched the CMP wastewater reclamation system to reduce natural water consumption.

Energy Consumption and Conservation

TSMC continuously seeks to conserve energy to reduce the emission of carbon dioxide. Major energy conservation accomplishments include adopting inverters in air conditioning, exhaust, and process water systems, to control power output according to actual requirements so as to save energy.

Waste Disposal and Land Contamination

Industrial waste that cannot be reused or recycled are either incinerated or sent to designated landfills. TSMC's waste solvents and sludge (CaF₂) were reused by cement plants as complementary fuel and raw material. Waste sulfuric acid, copper sulfate and phosphoric acid were recycled for downgraded industrial use. Furthermore, based on the monitoring results of soil and groundwater, all the lands of TSMC's fabs are free from contamination, according to the standards set by the Soil and Groundwater Pollution Remediation Act of EPA.

Environmental Performance

Starting in 2001, the Dow Jones Sustainability Indexes (DJSI) components have listed TSMC each year for its exceptional achievements in corporate sustainability.

TSMC has also put significant efforts on ESH improvement programs. Two national awards were received in 2004, including: (1) "Annual Environmental Protection Award for Enterprises" from the EPA, and (2) "Water Conservation Outstanding Performance Awards" from the Water Resources Agency.

Environmental Compliance Record

Penalties or fines due to environmental pollution event in 2004: None.

9. Important Contracts

Technology Cooperation Agreement

Term of Agreement: 1997 - 2008

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

Summary: TSMC is obliged to pay to Philips fixed amounts of license fees for third party patent cross licenses obtained through Philips. TSMC and Philips agree to cross license the patents owned by each party.

Manufacturing Agreement

Term of Agreement: 02/16/1996 - 12/31/2005, automatically renewed for one year terms, unless terminated with a six-month prior written notice by TSMC

Contracting Party: WaferTech, LLC ("WaferTech")

Summary: TSMC has the right to purchase the entire installed capacity of WaferTech during the production period.

Shareholders Agreement

Term of Agreement: Effective as of 03/30/1999 and may be terminated as provided in the Agreement

Contracting Parties: Koninklijke Philips Electronics N.V. ("Philips") and EDB Investments Pte Ltd. ("EDBI")

Summary: TSMC, Philips and EDBI established 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 are committed to purchasing a certain percentage of SSMC's capacity.

Technology Cooperation Agreement

Term of Agreement: 03/30/1999 - 03/29/2009

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

Summary: TSMC agreed to transfer certain of its process technologies to SSMC, and SSMC agreed to pay TSMC a certain percentage of the net selling prices of SSMC products.

Patent License Agreement

Term of Agreement: 10/26/2001 - 12/31/2006

Contracting Party: A multinational company

Summary: The parties entered into cross license arrangements for certain semiconductor patents. TSMC pays license fees to the said company.

Foundry Related Agreements

Term of Agreement: 1995 - 2006

Contracting Parties: Several multinational companies

Summary: TSMC guarantees a pre-determined capacity for a set number of years to customers. In return, customers deposit a certain amount of money with TSMC.

Manufacturing Agreement

Term of Agreement: 04/01/2004 - 03/31/2006

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

Summary: VIS reserves certain capacity to manufacture certain TSMC products at prices as agreed by the parties. TSMC agreed to transfer certain technology to VIS and to receive compensation from VIS in the form of royalty payments.

Patent License Agreement

Term of Agreement: 11/01/2002 - 10/31/2012

Contracting Party: A multinational company

Summary: The parties entered into cross license arrangements for certain semiconductor patents. TSMC pays license fees to the said company.

Patent License Agreement

Term of Agreement: 07/01/2002 - 6/30/2009

Contracting Party: A multinational company

Summary: The parties entered into cross license arrangements for certain semiconductor patents. TSMC pays license fees to the said company.

Patent License Agreement

Term of Agreement: 01/01/2001 - 12/31/2011

Contracting Party: A multinational company

Summary: The parties entered into cross license arrangements for certain semiconductor patents. TSMC pays license fees to the said company.

Amended and Restated Joint Technology Cooperation Agreement

Term of Agreement: 07/16/2001 - 12/31/2005

Contracting Parties: STMicroelectronics NV, Philips Semiconductors International B.V., Freescale Semiconductor, Inc.

Summary: The parties entered into a joint technology cooperation arrangement for the development of certain high-performance and advanced semiconductor technologies.

Technology Development and License Agreement

Term of Agreement: 12/04/2003 - 12/03/2007

Contracting Party: Freescale Semiconductor, Inc.

Summary: The parties agreed jointly to develop certain advanced SOI process technologies and to cross license related intellectual property rights.

Settlement Agreement

Term of Agreement: 01/30/2005 - 12/31/2010

Contracting Party: Semiconductor Manufacturing International Corp. ("SMIC") and certain of its subsidiaries

Summary: The parties settled their patent infringement and trade secret misappropriation disputes, wherein SMIC agreed to pay TSMC US\$175 million over six years.



Innovation is the wellspring of TSMC growth.
We received 460 US patents and added
516 ROC patents to our portfolio in 2004.

FINANCING PLANS AND IMPLEMENTATION

Corporate Bond

1. Financing Plans

Source of Fund

Issuance	Issue Date	Tenor	Coupon Rate	Outstanding
Corporate Bond	01/10/2002 - 01/24/2002	Tranche A: 5 years Tranche B: 7 years Tranche C: 10 years	Tranche A: 2.60% p.a. Tranche B: 2.75% p.a. Tranche C: 3.00% p.a.	Tranche A: NT\$ 2.5 billion Tranche B: NT\$ 8.0 billion Tranche C: NT\$ 4.5 billion

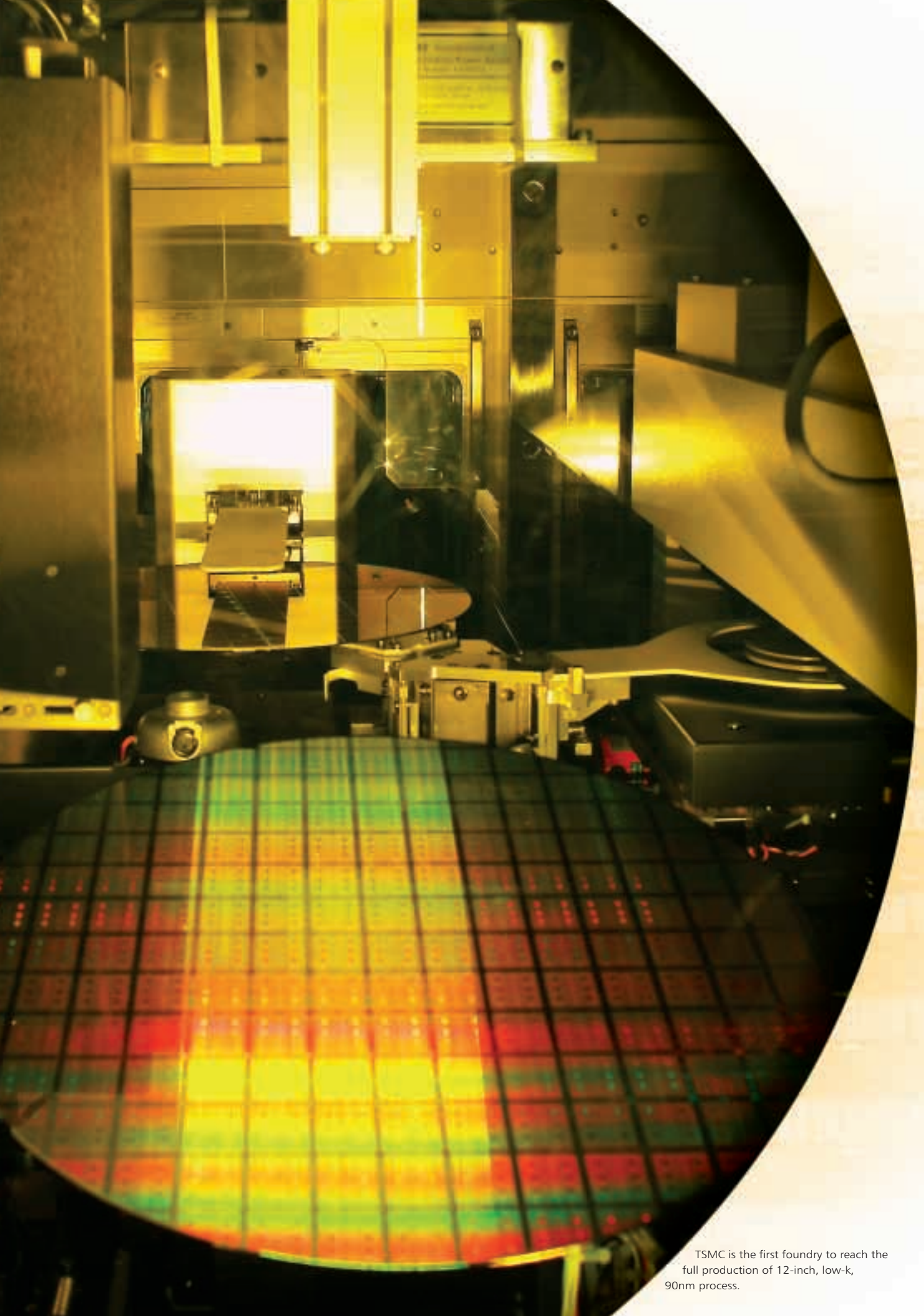
Use of Fund

Project	Expansion Plan	
	Fund Used From 2002 To 2004 (NT\$ thousands)	Future Fund Use (NT\$ thousands)
The proceeds of the bond finance a part of Fab 14 whose total investment is expected to reach NT\$77.63 billion.	30,838,480	46,791,520

Approved by the Securities and Futures Commission and disclosed on the Taiwan Stock Exchange Market Observation Post System on December 17, 2001.

2. Status of Implementation & Benefits

Project commenced in 2002 and production ramping-up has begun since the fourth quarter of 2004.



TSMC is the first foundry to reach the full production of 12-inch, low-k, 90nm process.

FINANCIAL STATUS, OPERATING RESULTS, AND RISK MANAGEMENT

1. Financial Position

Unit: NT\$ thousands

Item	2004	2003	Difference	%
Current Assets	173,667,311	158,526,272	15,141,039	10
Fixed Assets	227,976,400	188,286,752	39,689,648	21
Other Assets	12,616,636	11,638,485	978,151	8
Total Assets	487,553,210	396,416,862	91,136,348	23
Current Liabilities	60,638,852	30,537,984	30,100,868	99
Long-term Liabilities	27,949,059	36,664,569	(8,715,510)	-24
Total Liabilities	88,587,911	67,202,553	21,385,358	32
Capital Stock	232,519,637	202,666,189	29,853,448	15
Capital Surplus	56,537,259	56,855,885	(318,626)	-1
Retained Earnings	113,730,016	71,100,090	42,629,926	60
Total Shareholders' Equity	398,965,299	329,214,309	69,750,990	21

1.1 Analysis of Deviation over 20%

- The increase in fixed assets was mainly due to acquisition of new equipment for advanced technology capacity expansion.
- The increase in current liabilities was primarily due to an increase in equipment payables and a reclassification of bonds payable from noncurrent portion to current.
- Long-term liabilities decreased as a result of the above reclassification to current liabilities.
- The increase in retained earnings was due to much better operating results in 2004.

1.2 Major Impact on Financial Position : There was no significant impact on the Company's financial position.

1.3 Future Plan on Financial Position : Not Applicable

2. Operating Results

Unit: NT\$ thousands

Item	2004	2003	Difference	%
Gross Sales	260,726,896	206,157,918	54,568,978	26
Sales Returns and Allowances	(4,734,469)	(4,253,577)	(480,892)	11
Net Sales	255,992,427	201,904,341	54,088,086	27
Cost of Sales	145,831,843	129,012,704	16,819,139	13
Gross Profit	110,160,584	72,891,637	37,268,947	51
Operating Expense	23,337,806	20,244,060	3,093,746	15
Operating Income	86,822,778	52,647,577	34,175,201	65
Non-operating Income	6,859,714	2,665,799	4,193,915	157
Non-operating Expense	1,903,908	4,285,101	(2,381,193)	-56
Income before Tax	91,778,584	51,028,275	40,750,309	80
Tax Credit (Expense)	537,531	(3,769,575)	4,307,106	-114
Income after Tax	92,316,115	47,258,700	45,057,415	95

2.1 Analysis of Deviation over 20%

- Increase in net sales and gross profit: The increase of net sales was mainly due to increased wafer shipment partially offset by lower ASP and unfavorable foreign exchange rate. The improved gross profit was primarily due to higher capacity utilization and better product mix.
- Increase in non-operating income: The increase was primarily due to higher investment income. In addition, interest income increased as a result of increased bond investment.
- Decrease in non-operating expense: The decrease was largely due to a lack of asset write-off loss and lower exchange loss.
- Decrease in tax expense: The decrease was primarily due to a higher tax credits.

2.2 Reasons for changing the Company's major business; explain the variance resulting from the adjustment of selling prices or costs, the increase or decrease of quantity and the combination of production and selling, or the replacement of old products. If the Company's operation strategy, market situation, economic environment or other internal or external factors has changed or expects to have any significant change, explain the fact, influencing factors and the possible impact to the Company's future finance and responding proposal: Not Applicable

2.3 Planned selling quantities and its base for next year. Explain the major factors that keep the Company's forecast sales quantity to rise or decline: Please refer to "Letter To Shareholders".

2.4 Gross Profit Deviation Analysis

Unit: NT\$ millions

Gross Profit in 2004	Gross Profit in 2003	Difference	Price Difference	Cost Difference	Mix and Volume Difference
110,161	72,892	37,269	(12,905)	18,426	31,748
			<ol style="list-style-type: none"> 1. Market competition caused unfavorable price variance. 2. Technology advancement caused a price decline in matured technology. 	<p>Favorable cost variance came from continuous cost reduction activities and a lower depreciation as a result of fully-depreciated assets.</p>	<ol style="list-style-type: none"> 1. Revenue from advanced technology ($\leq 0.13\mu\text{m}$) increased from 17% in 2003 to 28% in 2004. In addition, capacity utilization improved from 89% in 2003 to 100% in 2004. The product mix improvement and higher utilization resulted in higher gross profit. 2. Wafer shipment grew 35% in 2004. This quantity difference resulted in higher gross profit.

3. Cash Flow

Unit: NT\$ thousands

Cash Balance 12/31/2003	Net Cash Provided by Operating Activities in 2004	Net Cash Outflows from Investing and Financing Activities in 2004	Cash Balance 12/31/2004	Remedy for Cash Shortfall	
				Investment Plan	Financing Plan
98,288,002	143,680,218	(176,436,402)	65,531,818	-	-

3.1 Analysis of Cash Flow

- NT\$143.7 billion net cash provided by operating activities: Mainly from net income and depreciation/amortization.
- NT\$176.4 billion net cash outflows from investing and financing activities: This represents the sum of (1) NT\$150.9 billion of investment activities, including capital expenditures, short-term and long-term cash investments, and (2) NT\$25.6 billion of financing activities, mainly over cash dividends, shares buyback and repayment of corporate bonds.

3.2 Remedy for Cash Shortfall and Liquidity Analysis : Because TSMC enjoys a cashflow surplus, remedial actions are not required.

3.3 Cash Flow Projection for Next Year: TSMC does not provide financial projections, including cash flow projections.

4. Major Capital Expenditure

4.1 Major Capital Expenditure and Source of Capital

Unit: NT\$ thousands

Plan	Actual or Planned Source of Capital	Actual or Planned Completion Date up to 12/31/2004	Total Amount up to 12/31/2004	The Execution of Major Capital Expenditure				
				2002	2003	2004	2005 (Note)	2006 (Note)
Production Equipment	Owner's Equity/Bond	Completed	146,569,133	44,023,305	31,467,451	71,078,377	-	-
R&D Equipment	Owner's Equity/Bond	Completed	7,997,602	3,104,963	2,892,584	2,000,055	-	-

Note: Can not be reasonably estimated at the time of preparation.

4.2 Estimated Possible Benefit

With the above-mentioned capital spending, it is estimated that TSMC production capacity may be increased by 800,000 8-inch equivalent wafers per annum in 2005 and onwards.

Other Benefits (e.g. Product Quality, Anti-Pollution, Cost Reduction and etc.): Please refer to "Operational Highlights".

5. Long-Term Investment

None of the current year investments exceeded 5% of the Company's capital.

6. Risk Management

6.1 Environmental, Safety and Health (ESH) Risk and Emergencies and Natural Disasters

TSMC is committed to maintaining a comprehensive risk management system dedicated to the safety, security, and protection of people, property, and the environment. In order to deal with emergencies and natural disasters at each facility, management has developed comprehensive plans and procedures that focus on loss prevention, emergency response, crisis management, and business recovery. TSMC has adopted the International Standard on Environmental Management System (ISO 14001) as its standard for environmental management. TSMC Fabs 2, 3, 5, 6, 7, 8 and 12 have been ISO 14001 and OHSAS 18001 certified.

6.2 Management of Financial Operations

Existing internal policies and procedures with respect to high-risk/high-leveraged investment, lending/endorsement and guarantee for other parties, and financial derivatives transactions

In order to manage financial risk, TSMC does not make high-risk or high-leveraged financial investments. To control various types of financial transactions, the Company has established internal policies and procedures based on sound financial and business practices; all in compliance with the relevant rules and regulations issued by the Taiwan Securities and Futures Commission. TSMC policies and procedures include "Policies and Procedures for Financial Derivatives Transactions," "Procedures for Lending Funds to Other Parties," "Procedures for Acquisition or Disposal of Assets," and "Procedures for Endorsement and Guarantee." The financial transactions of a "derivative" nature that TSMC enters into are strictly for hedging purposes and not for any trading or speculative purpose.

Covenants

TSMC's subsidiaries -- TSMC Development, Inc. and TSMC North America -- separately have entered into loan facility agreements. In connection with those agreements, TSMC provides guarantees up to US\$100 million in aggregate. Customary Borrower and/or Guarantor covenants exist in those agreements.

6.3 Internal Management of Economic Risk

Interest Rate Fluctuation

TSMC's exposure to interest rate risks derives primarily from long-term debt obligations that are incurred in the normal course of business. In order to limit its exposure to interest rate risks, TSMC finances its funding needs through issuance of long-term, fixed-rate debt.

Foreign Exchange Volatility

The Company is exposed to foreign exchange risks for both revenues and procurement. Most of TSMC's revenues derive from the export of its products (approximately, 86% in 2004). Meanwhile, a substantial portion of the Company's procurement of equipment, tools and material is imported. TSMC hedges its foreign exchange exposure mainly through forward currency contracts.

Inflation

Inflation in Taiwan was approximately 1.62% in 2004. It did not have a significant impact on TSMC operations and profits.

6.4 Political and Regulatory Environment

TSMC's management team closely monitors political and regulatory developments that could have a material impact on TSMC business and operations. Political and regulatory developments did not have any material adverse effect on TSMC during 2004.

Since TSMC is also an NYSE listed company, TSMC is required to comply with the provisions of the U.S. Sarbanes-Oxley Act and relevant regulations that are applicable to non-US companies. TSMC has taken measures to ensure compliance with applicable regulatory requirements, and will continue to monitor regulatory developments and implement changes as necessary for compliance.

6.5 Contingent Plans for Events That May Have a Significant Adverse Impact on the Company's Business and Image

TSMC maintains the highest degree of integrity, ethics, and fairness in managing and running its operations. TSMC has established a policy of "Ethics and Business Conduct," and its management does not tolerate unethical behavior or compromise of its core values and principles.

TSMC pays special attention to emergency preparedness for natural and man-made disasters such as typhoons, earthquakes, and environmental contamination. We have established extensive contingency planning, including the establishment of processes and procedures for creating emergency task forces as and when necessary. In such a situation, contingency planning would include the preparation of a thorough analysis of the emergency, its impact, alternatives, and solutions for each possible scenario, and appropriate precautionary and/or recovery measures. Each task force's responsibility would be to ensure TSMC's ability to conduct business with as little personal harm, business disruption, and financial impact as possible under the circumstances. As of the date of this Annual Report, there are no reportable material events necessitating the activation of such contingencies.

6.6 Litigation Proceedings

To protect its intellectual capital, trade secrets and other assets, TSMC may initiate, as appropriate, litigation against third parties. TSMC, TSMC North America, and WaferTech filed a series of lawsuits in late 2003 and 2004 in both state and federal courts in California and with the U. S. International Trade Commission against Semiconductor Manufacturing International Corporation ("SMIC"), SMIC (Shanghai), and SMIC Americas. The lawsuits alleged that SMIC companies infringed multiple TSMC patents and misappropriated TSMC's trade secrets. These suits have been settled out of court on January 30, 2005. As part of the agreement, SMIC will pay TSMC US\$175 million over six years to resolve TSMC's patent infringement and trade secret claims.

TSMC receives from time to time, as is the case for many high-technology companies, communications from third parties asserting that TSMC's technologies, designs, and manufacturing processes may infringe certain patents or other intellectual property rights. TSMC takes these matters seriously, investigates all such claims, and takes appropriate action as circumstances require.

TSMC was not involved in any material litigation in 2004 and is not currently involved in any material litigation.

6.7 Potential benefits and risks associated with mergers and acquisitions

In 2004, and as of the date of this Annual Report, TSMC has not consummated any merger and acquisition activities.

6.8 Potential benefits and risks associated with capacity expansion

To meet customers' demands, TSMC increased its annual production capacity by approximately 800,000 8-inch equivalent wafers in 2004. The average utilization rates for the four quarters of 2004 were 105%, 106%, 103%, and 88%, respectively. As of the date of this Annual Report, the benefits brought about by such capacity expansion have been in line with TSMC's expectation. If market conditions become less favorable than management anticipates, some benefits associated with such capacity expansion may not be realized.

6.9 Potential risks associated with purchase or sales concentration

TSMC procures raw materials from multiple sources to ensure adequate supplies for volume production and to mitigate purchase concentration risks.

No individual customer accounted for more than 10% of TSMC's net sales in 2004.

6.10 Potential impact and risks associated with significant transfer of shareholdings by TSMC's directors, supervisors and major shareholders who own 10 percent or more of TSMC's total outstanding shares

In 2004, and as of the date of this Annual Report, none of TSMC's directors, supervisors and major shareholders has disposed of significant numbers of shares.

6.11 Potential impact and risks associated with replacement of management

In 2004, and as of the date of this Annual Report, there were no such risks for TSMC.

6.12 Other material risks

In 2004, and as of the date of this Annual Report, there were no other material risks for TSMC.

7. Other Necessary Supplement: None



台灣積體電路製造
股份有限公司

Taiwan Semiconductor
Manufacturing Company, Ltd.



FINANCIAL INFORMATION

Year 2004 was a banner year for TSMC.
We again set new records for revenues and earnings.

1. Condensed Balance Sheet

Financial analysis from 2000-2004

Unit: NT\$ thousands

Item	2000	2001	2002	2003	2004
Current assets	85,950,586	63,652,726	94,747,405	158,526,272	173,667,311
Long-term investments	33,422,010	32,869,391	34,978,495	37,965,353	73,292,863
Fixed assets	207,005,370	215,499,242	217,192,263	188,286,752	227,976,400
Other assets	14,594,492	23,713,325	23,097,348	11,638,485	12,616,636
Current liabilities					
Before distribution	41,188,662	25,210,619	31,160,103	30,537,984	60,638,852
After distribution	41,814,102	25,799,467	31,673,588	43,691,881	*
Long-term liabilities	29,000,000	24,000,000	39,281,665	33,300,829	23,752,940
Other liabilities	9,030,097	9,333,990	3,720,536	3,363,740	4,196,119
Capital stock	129,893,646	181,325,531	199,228,867	202,666,189	232,519,637
Capital surplus	55,285,821	57,128,433	57,004,789	56,855,885	56,537,259
Retained earnings					
Before distribution	76,924,173	37,507,410	40,792,197	71,100,090	113,730,016
After distribution	24,866,848	19,015,226	23,841,390	26,846,412	*
Unrealized loss on long-term investment	(71,564)	-	(194,283)	(35)	-
Cumulative transaction adjustments	(278,377)	1,228,701	945,129	225,408	(2,226,427)
Total Assets	340,972,458	335,734,684	370,015,511	396,416,862	487,553,210
Total Liabilities					
Before distribution	79,218,759	58,544,609	74,162,304	67,202,553	88,587,911
After distribution	79,844,199	59,133,457	74,675,789	80,356,450	*
Total Equity					
Before distribution	261,753,699	277,190,075	295,853,207	329,214,309	398,965,299
After distribution	261,128,259	276,601,227	295,339,722	316,060,412	*

*Subject to change after shareholders' meeting resolution

2. Condensed Statement of Income

Financial analysis from 2000-2004

Unit:NT\$ thousands (Except EPS:NT\$)

Item	2000	2001	2002	2003	2004
Net sales	166,228,420	125,888,003	160,961,329	201,904,341	255,992,427
Gross profit*	75,996,839	36,381,051	51,967,145	72,891,637	110,160,584
Income from operations	60,541,105	17,342,286	34,176,306	52,647,577	86,822,778
Non-operating Income	5,409,307	2,891,557	1,762,893	2,665,799	6,859,714
Non-operating Expense	2,112,818	9,575,128	8,826,744	4,285,101	1,903,908
Interest revenue	1,575,460	1,365,919	1,008,147	819,377	1,762,347
Interest expense	1,858,197	1,951,830	2,119,935	1,576,343	1,352,738
Income from operations of continued segments-before tax	63,837,594	10,658,715	27,112,455	51,028,275	91,778,584
Income from operations of continued segments-after tax	65,106,194	14,483,174	21,610,291	47,258,700	92,316,115
Net income	65,106,194	14,483,174	21,610,291	47,258,700	92,316,115
Earnings per share	5.71 **	0.83 **	1.14 **	2.33 **	3.97 **
	2.86 ***	0.60 ***	0.91 ***	2.02 ***	
Capitalized interest	72,903	207,297	165,857	138,668	262,109

* Certain accounts of 2000 have been reclassified to conform to 2001 through 2004 classifications

** Based on weighted average shares outstanding in each year

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

3. Financial Analysis

Financial analysis from 2000-2004

		2000	2001	2002	2003	2004
Capital Analysis	Debts ratio (%)	23.23	17.44	20.04	16.95	18.17
	Long-term fund to fixed assets (%)	140.46	139.76	154.30	192.53	185.42
Liquidity Analysis	Current ratio (%)	208.68	252.48	304.07	519.11	286.40
	Quick ratio (%)	178.13	211.92	264.11	478.38	261.92
	Times interest earned (times)	34.02	5.84	12.79	30.67	57.67
Operating Performance Analysis	Average collection turnover (times)	7.70	5.32	9.08	9.17	9.34
	Days sales outstanding	47.42	68.61	40.20	39.92	39.10
	Average inventory turnover (times)	10.77	9.19	11.57	12.14	11.63
	Average inventory turnover days	33.90	39.70	31.55	30.06	31.39
	Average payment turnover (times)	10.76	11.52	20.72	14.41	14.39
	Fixed assets turnover (times)	0.80	0.58	0.74	1.07	1.12
Profitability Analysis	Total assets turnover (times)	0.49	0.37	0.44	0.51	0.53
	Return on total assets (%)	24.12	4.76	6.63	12.67	21.16
	Return on equity (%)	31.43	5.37	7.54	15.12	25.36
	Operating income to capital stock (%)	46.61	9.56	17.15	25.98	37.34
	Profit before tax to capital stock (%)	49.15	5.88	13.61	25.18	39.47
	Cost to Revenue Ratio (%)	54.28	71.10	67.71	63.90	56.97
	Profit after tax to net sales (%)	39.17	11.50	13.43	23.41	36.06
	Net worth per share (NTD)	21.28	15.70	15.19	16.24	17.16
	Earnings per share (NTD) (Note1)	2.86	0.60	0.91	2.02	3.97
	Dividends per share (NTD)	2.80	4.00	1.00	0.80	2.01
Cash flow	Cash flow ratio (%)	213.17	284.27	302.59	355.85	236.94
	Cash flow adequacy ratio (%)	106.03	105.73	122.72	145.42	149.94
	Cash flow reinvestment ratio (%)	22.47	16.00	17.88	17.71	18.12
Leverage	Operating leverage	2.34	6.14	3.88	3.21	2.46
	Financial leverage	1.03	1.13	1.07	1.03	1.02
Others	Royalty Expense (NT\$K)	2,477,021	3,715,200	6,232,338	5,221,718	2,870,259
	Royalty Revenue (NT\$K)	23,557	55,077	204,350	209,764	423,804
	Gross Margin (NT\$K)	75,996,839	36,381,051	51,967,145	72,891,637	110,160,584
	Sales and Marketing Costs (NT\$K) (Note2)	2,420,409	2,175,747	1,140,424	1,193,520	1,454,362
	Effective Tax Rate (%)	7.54	17.56	16.55	18.27	11.85
	Working Capital (NT\$K)	44,761,924	38,442,107	63,587,302	127,988,288	113,028,459
	Capital Expenditure (NT\$K)	79,720,461	68,002,448	54,443,595	37,247,465	76,171,356

Note1: Retroactive adjustment for capitalization of unappropriated earnings and bonus to employees.

Note2: Certain accounts of 2000 through 2002 have been reclassified to conform to 2003 and 2004 classifications.

*The calculation formula of financial analysis was listed as follows :

1. Capital Structure Analysis			
(1) Debts ratio	= Total Liabilities / Total Assets	(2) Return on equity	= Net Income / Average Shareholders' Equity
(2) Long-term fund to fixed assets	= (Shareholders' Equity + Long-term Liabilities) / Net Properties	(3) Cost to Revenue Ratio	= Cost of Goods Sold / Net Sales
2. Liquidity Analysis		(4) Profit after tax to net sales	= Net Income / Net Sales
(1) Current ratio	= Current Assets / Current Liabilities	(5) Earnings per share	= (Net Income - Preferred Stock Dividend) / (Weighted Average Number of Shares Outstanding
(2) Quick ratio	= (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities	(6) Net worth per share	= (Shareholders' Equity - Preferred Stock) / Number of shares outstanding
(3) Times interest earned	= Earnings before Interest and Taxes / Interest Expenses	5. Cash flow	
3. Operating Performance Analysis		(1) Cash flow ratio	= Net Cash Provided by Operating Activities / Current Liabilities
(1) Average collection turnover	= Net Sales / Average Trade Receivables	(2) Cash flow adequacy ratio	= Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividend
(2) Days sales outstanding	= 365 / Receivables Turnover rate	(3) Cash flow reinvestment ratio	= (Cash Provided by Operating Activities - Cash Dividends) / (Gross Plant + Investment + Other Assets + Working Capital)
(3) Average inventory turnover	= Cost of Sales / Average Inventory	6. Leverage	
(4) Average inventory turnover days	= 365 / Inventory Turnover rate	(1) Operating leverage	= (Net Sales - Variable Cost) / Income from Operations
(5) Average payment turnover	= Cost of Sales / Average Trade Payables	(2) Financial leverage	= Income from Operations / (Income from Operations - Interest Expenses)
(6) Fixed assets turnover	= Net Sales / Net Properties		
(7) Total assets turnover	= Net Sales / Total Assets		
4. Profitability Analysis			
(1) Return on total assets	= (Net Income + Interest Expenses * (1 - Effective tax rate)) / Average Total Assets		

4. Condensed Interim Balance Sheet by Quarter

Unit: NT\$ thousands

	March 31, 2004		June 30, 2004		September 30, 2004		December 31, 2004	
	Amount	%	Amount	%	Amount	%	Amount	%
ASSETS								
Current assets	175,716,905	42	173,815,349	40	177,681,922	38	173,667,311	36
Long-term investments	37,978,462	9	49,216,494	11	58,185,933	13	73,292,863	15
Fixed assets	195,932,438	46	200,281,787	46	207,155,918	45	227,976,400	47
Other assets	11,409,716	3	16,513,218	3	19,483,919	4	12,616,636	2
TOTAL ASSETS	<u>421,037,521</u>	<u>100</u>	<u>439,826,848</u>	<u>100</u>	<u>462,507,692</u>	<u>100</u>	<u>487,553,210</u>	<u>100</u>
LIABILITIES AND SHAREHOLDERS' EQUITY								
LIABILITIES								
Current liabilities	38,081,342	9	49,046,758	11	44,232,342	9	60,638,852	12
Long-term liabilities	32,999,977	8	36,260,196	8	34,914,936	8	23,752,940	5
Other liabilities	3,370,160	1	3,446,140	1	4,097,624	1	4,196,119	1
TOTAL LIABILITIES	<u>74,451,479</u>	<u>18</u>	<u>88,753,094</u>	<u>20</u>	<u>83,244,902</u>	<u>18</u>	<u>88,587,911</u>	<u>18</u>
SHAREHOLDERS' EQUITY								
Capital stock	202,666,189	48	233,765,970	53	232,518,770	50	232,519,637	48
Capital surplus	56,860,879	13	56,885,914	13	56,529,100	12	56,537,259	11
Retained earnings	89,889,292	21	69,045,214	16	91,535,211	20	113,730,016	23
Cummulative translation adjustments	(728,208)	-	53,132	-	300,345	-	(2,226,427)	-
Unrealized loss on long-term investment	-	-	(9)	-	(3,967)	-	-	-
Treasury stock (at cost)	(2,102,110)	-	(8,676,467)	(2)	(1,616,669)	-	(1,595,186)	-
TOTAL SHAREHOLDERS' EQUITY	<u>346,586,042</u>	<u>82</u>	<u>351,073,754</u>	<u>80</u>	<u>379,262,790</u>	<u>82</u>	<u>398,965,299</u>	<u>82</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>421,037,521</u>	<u>100</u>	<u>439,826,848</u>	<u>100</u>	<u>462,507,692</u>	<u>100</u>	<u>487,553,210</u>	<u>100</u>

5. Condensed Interim Statement of Income by Quarter

Unit:NT\$ thousands (Except EPS:NT\$)

	Q1, 2004		Q2, 2004		Q3, 2004		Q4, 2004		2004	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
GROSS SALES	58,785,691		66,196,574		70,797,355		64,947,276		260,726,896	
SALES RETURNS AND ALLOWANCES	(1,272,486)		(1,327,333)		(1,062,318)		(1,072,332)		(4,734,469)	
NET SALES	57,513,205	100	64,869,241	100	69,735,037	100	63,874,944	100	255,992,427	100
COST OF SALES	34,783,992	60	36,730,069	57	37,595,584	54	36,722,198	57	145,831,843	57
GROSS PROFIT	22,729,213	40	28,139,172	43	32,139,453	46	27,152,746	43	110,160,584	43
OPERATING EXPENSES	5,188,564	9	6,005,671	9	6,018,743	9	6,124,828	10	23,337,806	9
INCOME FROM OPERATIONS	17,540,649	31	22,133,501	34	26,120,710	37	21,027,918	33	86,822,778	34
NON-OPERATING INCOME										
Investment income recognized by equity method-net	802,676	1	1,251,290	2	1,377,781	2	608,572	1	4,040,319	2
Interest	256,296	1	302,296	-	501,820	1	701,935	1	1,762,347	1
Technical service income	56,983	-	54,113	-	216,487	-	96,221	-	423,804	-
Gain on disposal of property, plant and equipment	59,087	-	55,015	-	30,797	-	19,248	-	164,147	-
Gain (loss) on sales of investments	94,477	-	4,167	-	13,127	-	(21,452)	-	90,319	-
Others	92,135	-	46,163	-	184,660	-	55,820	-	378,778	-
Total Non-Operating Income	1,361,654	2	1,713,044	2	2,324,672	3	1,460,344	2	6,859,714	3
NON-OPERATING EXPENSES										
Interest	330,172	1	272,809	-	274,791	-	474,966	1	1,352,738	1
Foreign exchange loss (gain), net	122,117	-	420,474	1	(3,826)	-	(215,685)	-	323,080	-
Loss on disposal of property, plant and equipment	6,749	-	26,164	-	30,563	-	44,246	-	107,722	-
Unrealized valuation loss on short-term investments	-	-	-	-	-	-	75,212	-	75,212	-
Others	7,832	-	6,573	-	14,857	-	15,894	-	45,156	-
Total Non-Operating Expenses	466,870	1	726,020	1	316,385	-	394,633	1	1,903,908	1
INCOME BEFORE INCOME TAX	18,435,433	32	23,120,525	35	28,128,997	40	22,093,629	34	91,778,584	36
INCOME TAX BENEFIT(EXPENSE)	353,769	1	289,075	-	(195,818)	-	90,505	-	537,531	-
NET INCOME	18,789,202	33	23,409,600	35	27,933,179	40	22,184,134	34	92,316,115	36
EARNINGS PER SHARE AFTER TAX	0.93		0.88		1.20		0.96		3.97	

6. Auditors' Opinion from 2000 to 2004

Year	CPA	Audit Opinion
2000	Shu-Chieh Huang, Yung-Do Way	An Unqualified Opinion
2001	Shu-Chieh Huang, Yung-Do Way	An Unqualified Opinion
2002	Shu-Chieh Huang, Yung-Do Way	A Modified Unqualified Opinion
2003	Yu-Feng Huang, Yung-Do Way	A Modified Unqualified Opinion
2004	Hung-Wen Huang, Ming-Cheng Chang	An Unqualified Opinion

Deloitte Touche Tohmatsu


12F, No. 156, Sec. 3, Min-Sheng E. Rd., Taipei, Taiwan, R.O.C.

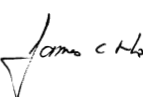
Tel : 886-2-2545-9988

7. Supervisors' Report

The Board of Directors has prepared and submitted to the Supervisors the Company's 2004 Business Report, Financial Statements, and proposal for allocation of profits. The CPA firm of Deloitte & Touche was retained to audit TSMC's Financial Statements. The auditors have submitted to the Board a report relating to the Financial Statements. The Business Report, Financial Statements, and profit allocation proposal have been examined by and determined to be 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 Robbert J. Brakel 

Supervisor James C. Ho 

Supervisor Michael E. Porter 

March 11, 2005

8. Financial Difficulties

The Company should disclose the financial impact to the Company if the Company and its affiliated companies incur any financial or cash flow difficulties from 2004 until February 28, 2005: None

9. Financial Statements and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

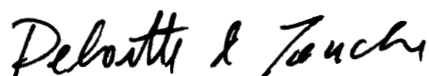
The Board of Directors and Shareholders
Taiwan Semiconductor Manufacturing Company, Ltd.

We have audited the accompanying balance sheets of Taiwan Semiconductor Manufacturing Company, Ltd. as of December 31, 2004 and 2003, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Taiwan Semiconductor Manufacturing Company, Ltd. as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

We have also audited the consolidated financial statements of Taiwan Semiconductor Manufacturing Company, Ltd. as of and for the years ended December 31, 2004 and 2003, and have expressed an unqualified opinion on such financial statements.



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

Notice to Readers

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

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

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD.

BALANCE SHEETS

DECEMBER 31, 2004 AND 2003

(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2004		2003	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 2, 3 and 4)	\$ 65,531,818	14	\$ 98,288,002	25
Short-term investments, net (Notes 2 and 4)	52,979,095	11	12,559,019	3
Receivables from related parties (Note 18)	16,186,083	4	14,867,662	4
Notes receivable	2,942	-	9,893	-
Accounts receivable	15,323,939	3	13,907,914	4
Allowance for doubtful receivables (Note 2)	(980,461)	-	(1,016,022)	-
Allowance for sales returns and others (Note 2)	(3,327,914)	(1)	(2,126,025)	(1)
Other receivables from related parties (Note 18)	1,617,339	-	132,963	-
Other financial assets (Notes 2 and 21)	2,406,736	-	689,440	-
Inventories, net (Notes 2 and 5)	14,171,945	3	10,907,158	3
Deferred income tax assets (Notes 2 and 12)	8,849,000	2	8,322,000	2
Prepaid expenses and other current assets	906,789	-	1,984,268	-
Total current assets	173,667,311	36	158,526,272	40
LONG-TERM INVESTMENTS (Notes 2, 6, 16 and 21)				
Equity method	46,828,322	10	37,262,237	10
Cost method	772,634	-	703,116	-
Long-term bonds	15,170,167	3	-	-
Other investments	10,521,740	2	-	-
Total long-term investments	73,292,863	15	37,965,353	10
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 7 and 18)				
Cost				
Buildings	84,299,167	17	71,277,031	18
Machinery and equipment	390,719,215	80	332,252,225	84
Office equipment	7,041,132	1	6,180,495	1
	482,059,514	98	409,709,751	103
Accumulated depreciation	(300,006,201)	(61)	(247,514,312)	(62)
Advance payments and construction in progress	45,923,087	10	26,091,313	6
Net property, plant and equipment	227,976,400	47	188,286,752	47
GOODWILL (Note 2)	1,916,146	-	2,264,536	1
OTHER ASSETS				
Deferred charges, net (Notes 2, 8 and 20)	8,845,144	2	7,947,331	2
Deferred income tax assets (Notes 2 and 12)	1,645,003	-	1,070,596	-
Refundable deposits (Note 18)	85,413	-	177,379	-
Assets leased to others, net (Note 2)	78,613	-	84,347	-
Idle assets (Note 2)	46,317	-	94,296	-
Total other assets	10,700,490	2	9,373,949	2
TOTAL	\$ 487,553,210	100	\$ 396,416,862	100

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

LIABILITIES AND SHAREHOLDERS' EQUITY	2004		2003	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Accounts payable	\$ 6,488,617	1	\$ 6,083,876	2
Payables to related parties (Note 18)	3,198,490	1	4,500,140	1
Payables to contractors and equipment suppliers	31,154,309	6	7,117,884	2
Accrued expenses and other current liabilities (Notes 2, 10 and 20)	9,297,436	2	7,836,084	2
Current portion of long-term bonds payable (Note 9)	<u>10,500,000</u>	<u>2</u>	<u>5,000,000</u>	<u>1</u>
Total current liabilities	<u>60,638,852</u>	<u>12</u>	<u>30,537,984</u>	<u>8</u>
LONG-TERM LIABILITIES				
Bonds payable (Note 9)	19,500,000	4	30,000,000	7
Other long-term payables (Notes 10 and 20)	1,934,968	-	3,300,829	1
Other payables to related parties (Notes 18 and 20)	<u>2,317,972</u>	<u>1</u>	<u>-</u>	<u>-</u>
Total long-term liabilities	<u>23,752,940</u>	<u>5</u>	<u>33,300,829</u>	<u>8</u>
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 11)	3,101,196	1	2,600,251	1
Guarantee deposits (Note 20)	412,393	-	763,489	-
Deferred credits - gain on intercompany (Notes 2 and 18)	<u>682,530</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other liabilities	<u>4,196,119</u>	<u>1</u>	<u>3,363,740</u>	<u>1</u>
Total liabilities	<u>88,587,911</u>	<u>18</u>	<u>67,202,553</u>	<u>17</u>
SHAREHOLDERS' EQUITY (Notes 2 and 14)				
Capital stock - \$10 par value				
Authorized: 24,600,000 thousand shares				
Issued: 23,251,964 thousand shares in 2004 and 20,266,619 thousand shares in 2003	232,519,637	48	202,666,189	51
Capital surplus	56,537,259	11	56,855,885	14
Retained earnings				
Appropriated as legal reserve	25,528,007	5	20,802,137	5
Appropriated as special reserve	-	-	68,945	-
Unappropriated earnings	88,202,009	18	50,229,008	13
Others				
Unrealized loss on long-term investments	-	-	(35)	-
Cumulative translation adjustments	(2,226,427)	-	225,408	-
Treasury stock (at cost) - 45,521 thousand shares in 2004 and 40,597 thousand shares in 2003 (Notes 2 and 16)	<u>(1,595,186)</u>	<u>-</u>	<u>(1,633,228)</u>	<u>-</u>
Total shareholders' equity	<u>398,965,299</u>	<u>82</u>	<u>329,214,309</u>	<u>83</u>
TOTAL	<u>\$ 487,553,210</u>	<u>100</u>	<u>\$ 396,416,862</u>	<u>100</u>

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD.

STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2004		2003	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 18)	\$ 260,726,896		\$ 206,157,918	
SALES RETURNS AND ALLOWANCES (Note 2)	<u>(4,734,469)</u>		<u>(4,253,577)</u>	
NET SALES	255,992,427	100	201,904,341	100
COST OF SALES (Notes 13 and 18)	<u>145,831,843</u>	<u>57</u>	<u>129,012,704</u>	<u>64</u>
GROSS PROFIT	<u>110,160,584</u>	<u>43</u>	<u>72,891,637</u>	<u>36</u>
OPERATING EXPENSES (Notes 13 and 18)				
Research and development	12,516,434	5	12,712,695	6
General and administrative	9,367,010	3	6,337,845	3
Marketing	<u>1,454,362</u>	<u>1</u>	<u>1,193,520</u>	<u>1</u>
Total operating expenses	<u>23,337,806</u>	<u>9</u>	<u>20,244,060</u>	<u>10</u>
INCOME FROM OPERATIONS	<u>86,822,778</u>	<u>34</u>	<u>52,647,577</u>	<u>26</u>
NON-OPERATING INCOME AND GAINS				
Investment income recognized by equity method, net (Notes 2 and 6)	4,040,319	2	791,424	-
Interest (Notes 2 and 21)	1,762,347	1	819,377	1
Technical service income (Notes 18 and 20)	423,804	-	209,764	-
Gain on disposal of property, plant and equipment (Notes 2 and 18)	164,147	-	438,804	-
Gain on sales of investments (Note 2)	90,319	-	114,817	-
Other (Note 18)	<u>378,778</u>	<u>-</u>	<u>291,613</u>	<u>-</u>
Total non-operating income and gains	<u>6,859,714</u>	<u>3</u>	<u>2,665,799</u>	<u>1</u>
NON-OPERATING EXPENSES AND LOSSES				
Interest (Notes 2, 7, 9 and 21)	1,352,738	1	1,576,343	1
Foreign exchange loss, net (Notes 2 and 21)	323,080	-	909,496	-
Loss on disposal of property, plant and equipment (Note 2)	107,722	-	373,472	-
Unrealized valuation loss on short-term investments (Notes 2 and 4)	75,212	-	-	-
Loss on property, plant and equipment and idle assets (Note 2)	-	-	1,401,585	1
Other	<u>45,156</u>	<u>-</u>	<u>24,205</u>	<u>-</u>
Total non-operating expenses and losses	<u>1,903,908</u>	<u>1</u>	<u>4,285,101</u>	<u>2</u>
INCOME BEFORE INCOME TAX	\$ 91,778,584	36	\$ 51,028,275	25
INCOME TAX BENEFIT (EXPENSE) (Notes 2 and 12)	<u>537,531</u>	<u>-</u>	<u>(3,769,575)</u>	<u>(2)</u>
NET INCOME	<u>\$ 92,316,115</u>	<u>36</u>	<u>\$ 47,258,700</u>	<u>23</u>

(Continued)

	2004		2003	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (NT\$, Note 17)				
Basic earnings per share	\$ 3.95	\$ 3.97	\$ 2.18	\$ 2.02
Diluted earnings per share	<u>\$ 3.95</u>	<u>\$ 3.97</u>	<u>\$ 2.18</u>	<u>\$ 2.02</u>
The pro forma net income and earnings per share (after income tax) are based on the assumption that the stock of parent company held by its subsidiaries is treated as an investment instead of the treasury stock, and are shown as follows (Notes 2 and 16):				
	2004		2003	
NET INCOME	<u>\$ 92,340,760</u>		<u>\$ 47,337,094</u>	
EARNINGS PER SHARE (NT\$)				
Basic earnings per share	\$ 3.96		\$ 2.02	
Diluted earnings per share	<u>\$ 3.96</u>		<u>\$ 2.02</u>	

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

(Concluded)

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(In Thousands of New Taiwan Dollars)

	Capital Stock Issued			
	Preferred Stock		Common Stock	
	Shares (in thousand)	Amount	Shares (in thousand)	Amount
BALANCE, JANUARY 1, 2003	1,300,000	\$ 13,000,000	18,622,887	\$ 186,228,867
Redemption and retirement of preferred stock	(1,300,000)	(13,000,000)	-	-
Appropriations of prior year's earnings				
Legal reserve	-	-	-	-
Special reserve	-	-	-	-
Bonus to employees - stock	-	-	153,901	1,539,013
Cash dividends paid for preferred stock	-	-	-	-
Stock dividends - 8%	-	-	1,489,831	14,898,309
Remuneration to directors and supervisors	-	-	-	-
Net income in 2003	-	-	-	-
Adjustment arising from changes in ownership percentage in investees	-	-	-	-
Reversal of unrealized loss on long-term investment of investees	-	-	-	-
Translation adjustments	-	-	-	-
Treasury stock - sales of parent company stock held by subsidiaries	-	-	-	-
BALANCE, DECEMBER 31, 2003	-	-	20,266,619	202,666,189
Appropriations of prior year's earnings				
Legal reserve	-	-	-	-
Reversal of special reserve	-	-	-	-
Bonus to employees - cash	-	-	-	-
Bonus to employees - stock	-	-	272,651	2,726,514
Cash dividends paid for preferred stocks	-	-	-	-
Cash dividends - 6%	-	-	-	-
Stock dividends - 14%	-	-	2,837,327	28,373,267
Remuneration to directors and supervisors	-	-	-	-
Net income in 2004	-	-	-	-
Adjustment arising from changes in ownership percentage in investees	-	-	-	-
Reversal of unrealized loss on long-term investment of investees	-	-	-	-
Translation adjustments	-	-	-	-
Issuance of stock arising from exercising stock options	-	-	87	867
Cash dividends received by subsidiaries from parent company	-	-	-	-
Treasury stock - sales of the parent company stock held by subsidiaries	-	-	-	-
Treasury stock - repurchased by the Company	-	-	-	-
Retirement of treasury stock	-	-	(124,720)	(1,247,200)
BALANCE, DECEMBER 31, 2004	-	\$ -	23,251,964	\$ 232,519,637

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

Capital Surplus	Retained Earnings				Unrealized Loss on Long-term Investments	Cumulative Translation Adjustments	Treasury Stock (Note 16)	Total Shareholders' Equity
	Legal Reserve	Special Reserve	Unappropriated Earnings	Total				
\$ 57,004,789	\$ 18,641,108	\$ -	\$ 22,151,089	\$ 40,792,197	\$ (194,283)	\$ 945,129	\$ (1,923,492)	\$ 295,853,207
-	-	-	-	-	-	-	-	(13,000,000)
-	2,161,029	-	(2,161,029)	-	-	-	-	-
-	-	68,945	(68,945)	-	-	-	-	-
-	-	-	(1,539,013)	(1,539,013)	-	-	-	-
-	-	-	(455,000)	(455,000)	-	-	-	(455,000)
-	-	-	(14,898,309)	(14,898,309)	-	-	-	-
-	-	-	(58,485)	(58,485)	-	-	-	(58,485)
-	-	-	47,258,700	47,258,700	-	-	-	47,258,700
(158,924)	-	-	-	-	-	-	-	(158,924)
-	-	-	-	-	194,248	-	-	194,248
-	-	-	-	-	-	(719,721)	-	(719,721)
10,020	-	-	-	-	-	-	290,264	300,284
56,855,885	20,802,137	68,945	50,229,008	71,100,090	(35)	225,408	(1,633,228)	329,214,309
-	4,725,870	-	(4,725,870)	-	-	-	-	-
-	-	(68,945)	68,945	-	-	-	-	-
-	-	-	(681,628)	(681,628)	-	-	-	(681,628)
-	-	-	(2,726,514)	(2,726,514)	-	-	-	-
-	-	-	(184,493)	(184,493)	-	-	-	(184,493)
-	-	-	(12,159,971)	(12,159,971)	-	-	-	(12,159,971)
-	-	-	(28,373,267)	(28,373,267)	-	-	-	-
-	-	-	(127,805)	(127,805)	-	-	-	(127,805)
-	-	-	92,316,115	92,316,115	-	-	-	92,316,115
34,059	-	-	-	-	-	-	-	34,059
-	-	-	-	-	35	-	-	35
-	-	-	-	-	-	(2,451,835)	-	(2,451,835)
2,757	-	-	-	-	-	-	-	3,624
22,781	-	-	-	-	-	-	-	22,781
1,864	-	-	-	-	-	-	38,042	39,906
-	-	-	-	-	-	-	(7,059,798)	(7,059,798)
(380,087)	-	-	(5,432,511)	(5,432,511)	-	-	7,059,798	-
<u>\$ 56,537,259</u>	<u>\$ 25,528,007</u>	<u>\$ -</u>	<u>\$ 88,202,009</u>	<u>\$ 113,730,016</u>	<u>\$ -</u>	<u>\$ (2,226,427)</u>	<u>\$ (1,595,186)</u>	<u>\$ 398,965,299</u>

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(In Thousands of New Taiwan Dollars)

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 92,316,115	\$ 47,258,700
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	63,072,140	61,786,114
Deferred income taxes	(1,101,407)	3,639,971
Investment income recognized by equity method, net	(4,040,319)	(791,424)
Amortization of premium/discount of long-term bond investments	28,673	-
Loss on property, plant, and equipment, and idle assets	-	1,401,585
Gain on sales of long-term investments, net	(2,216)	(79,149)
Gain on disposal of property, plant and equipment, net	(56,425)	(65,332)
Accrued pension cost	500,945	389,709
Changes in operating assets and liabilities		
Decrease (increase) in		
Receivables from related parties	(1,318,421)	(4,752,698)
Notes receivable	6,951	50,347
Accounts receivable	(1,416,025)	(4,412,467)
Allowance for doubtful receivables	(35,561)	86,158
Allowance for sales returns and others	1,201,889	(237,042)
Other receivables from related parties	(11,496)	(64,439)
Other financial assets	(1,655,730)	189,024
Inventories, net	(3,264,787)	(566,822)
Prepaid expenses and other current assets	1,077,479	121,298
Increase (decrease) in		
Payables to related parties	(1,771,144)	2,033,142
Accounts payable	404,741	1,234,642
Accrued expenses and other liabilities	(255,184)	1,447,119
Net cash provided by operating activities	143,680,218	108,668,436
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in short-term investments	(43,822,489)	(12,529,448)
Acquisitions of		
Long-term investments	(30,290,982)	(3,006,374)
Property, plant and equipment	(76,171,356)	(37,247,465)
Proceeds from disposal of		
Long-term investments	7,822	476,405
Property, plant and equipment	1,713,934	177,307
Increase in deferred charges	((2,404,130)	(2,137,932)
Decrease in refundable deposits	91,966	366,090
Decrease in other assets	-	9,250
Net cash used in investing activities	(150,875,235)	(53,892,167)

(Continued)

	2004	2003
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid for common stock	\$ (12,159,971)	\$ -
Repurchase of treasury stock	(7,059,798)	-
Repayment of long-term bonds payable	(5,000,000)	(4,000,000)
Cash bonus paid to employees	(681,628)	-
Decrease in guarantee deposits	(351,096)	(631,577)
Cash dividends paid for preferred stock	(184,493)	(455,000)
Remuneration paid to directors and supervisors	(127,805)	(58,485)
Proceeds from issuance of new shares arising from exercises of stock options	3,624	-
Redemption of preferred stock	-	(13,000,000)
Net cash used in financing activities	<u>(25,561,167)</u>	<u>(18,145,062)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(32,756,184)	36,631,207
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>98,288,002</u>	<u>61,656,795</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 65,531,818</u>	<u>\$ 98,288,002</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid (excluding the amount capitalized of NT\$262,109 thousand and NT\$138,668 thousand in 2004 and 2003, respectively, Note 7)	\$ 1,379,287	\$ 1,652,579
Income tax paid	<u>\$ 309,522</u>	<u>\$ 2,500</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term bonds payable	<u>\$ 10,500,000</u>	<u>\$ 5,000,000</u>
Current portion of other payables to related parties (under payables to related parties)	<u>\$ 492,022</u>	<u>\$ -</u>
Current portion of other long-term payables (under accrued expenses and other current liabilities)	<u>\$ 1,505,345</u>	<u>\$ 1,591,972</u>
Reclassification of short-term investments to long-term investments	<u>\$ 3,402,413</u>	<u>\$ -</u>
Reclassification of long-term investments to short-term investments	<u>\$ -</u>	<u>\$ 29,571</u>

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

(Concluded)

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD.

NOTES TO FINANCIAL STATEMENTS

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

1. Organization and Operations

Taiwan Semiconductor Manufacturing Company, Ltd. (the Company or TSMC), a Republic of China (R.O.C.) corporation, was incorporated as a venture among the Government of the R.O.C., acting through the Development Fund of the Executive Yuan; Philips Electronics N.V. and certain of its affiliates (Philips); and certain other private investors. On September 5, 1994, its shares were listed on the Taiwan Stock Exchange (TSE). On October 8, 1997, TSMC listed some of its shares of stock on the New York Stock Exchange (NYSE) in the form of American Depositary Shares (ADSs).

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

2. Summary of Significant Accounting Policies

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

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

Significant accounting policies are summarized as follows:

Use of Estimates

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

Classification of Current and Noncurrent Assets and Liabilities

Current assets are those expected to be converted to cash, sold or consumed within one year from the balance sheet date. Current liabilities are obligations due on demand within one year from the balance sheet date. Assets and liabilities that are not classified as current are noncurrent assets and liabilities, respectively.

Cash Equivalents

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

Short-term Investments

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

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

exceeds the aggregate market value. A reversal of the allowance is recorded for a subsequent recovery of the market value.

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

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

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

Allowance for Doubtful Receivables

An allowance for doubtful receivables is provided based on a review of the collectibility of accounts receivables. The Company determines the amount of allowance for doubtful accounts by examining the historical collection experience and current trends in the credit quality of its customers as well as its internal credit policies.

Revenue Recognition and Allowance for Sales Returns and Others

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

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

Inventories

Inventories are stated at the lower of cost or market value. Inventories are recorded at standard cost and adjusted to the approximate weighted-average cost at the end of the year. Market value represents replacement cost for raw materials, supplies and spare parts. Market value represents net realizable value for finished goods and work in process. The Company assesses the impact of changing technology on its inventory on hand and writes off inventories that are considered obsolete. Ending inventories are evaluated for estimated excess quantities and obsolescence based on demand forecast within a specific time horizon, generally 180 days or less, and the estimated losses on scrap and slow-moving items are recognized in the allowance for losses.

Long-term Investments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Goodwill

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

Deferred Charges

Deferred charges consist of technology license fees, software and system design costs and other charges. The amounts are amortized as follows: technology license fees - the shorter of the estimated life of the technology or the term of the technology transfer contract; software and system design costs and other charges - 3 or 5 years.

Pension Costs

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

Income Tax

The Company uses an inter-period tax allocation method for income tax. Deferred income tax assets and liabilities are recognized for the tax effects of temporary differences and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

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

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

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

Stock-based Compensation

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

Treasury Stock

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

Foreign Currency Transactions

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

Derivative Financial Instruments

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

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

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

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

Reclassifications

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

3. Cash and Cash Equivalents

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

4. Short-Term Investments

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

The Company entered into investment management agreements with three well-known financial institutions (fund managers) to manage investment portfolios for the Company. In accordance with the investment guidelines and terms in these agreements, the securities invested by the fund managers cannot be below a pre-defined credit rating. As of December 31, 2004, the Company had investment portfolios with these fund managers that aggregated to an original amount of US\$1,200,000 thousand. The investment portfolios included securities such as corporate bonds, asset-backed securities, agency bonds, government bonds and others. Securities acquired with maturities less than three months from the date of purchase were reclassified as cash equivalents.

5. Inventories, Net

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

6. Long-Term Investments

	2004		2003	
	Carrying Amount	% of Owner-ship	Carrying Amount	% of Owner-ship
Equity method				
TSMC International Investment Ltd. (TSMC International)	\$ 23,778,997	100	\$ 22,654,743	100
TSMC (Shanghai) Company Limited (TSMC - Shanghai)	8,113,511	100	1,901,428	100
Vanguard International Semiconductor Corporation (VIS)	5,401,982	28	4,077,198	28
TSMC Partners, Ltd. (TSMC Partners)	3,908,356	100	4,116,934	100
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	3,290,888	32	2,759,376	32
Emerging Alliance Fund, L.P. (Emerging Alliance)	823,232	99	704,744	99
TSMC North America (TSMC - North America)	502,242	100	417,858	100
Global UniChip Corporation (GUC)	391,626	47	368,434	47
VentureTech Alliance Fund II, L.P. (VTAF II)	329,968	98	-	-
TSMC Japan K. K. (TSMC - Japan)	102,572	100	101,722	100
VisEra Technologies Company, Limited (VisEra)	59,116	25	50,231	25
Chi Cherng Investment Co., Ltd. (Chi Cherng)	50,570	36	42,941	36
Hsin Ruey Investment Co., Ltd. (Hsin Ruey)	49,823	36	42,006	36
Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC - Europe)	25,439	100	24,622	100
	<u>46,828,322</u>		<u>37,262,237</u>	
Cost method				
Non-publicly traded stocks	482,500	-	432,500	-
Funds	290,134	-	270,616	-
	<u>772,634</u>		<u>703,116</u>	
Long-term bonds				
Government bonds	10,260,481	-	-	-
Corporate bonds				
China Steel Corporation	2,978,804	-	-	-
Taiwan Power Company	915,276	-	-	-
Nan Ya Plastics Corporation	407,526	-	-	-
Formosa Plastics Corporation	405,485	-	-	-
Formosa Petrochemical Corporation	202,595	-	-	-
	<u>15,170,167</u>		<u>-</u>	
Other investments	10,521,740	-	-	-
	<u>\$ 73,292,863</u>		<u>\$ 37,965,353</u>	

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

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

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

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

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

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

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

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

7. Property, Plant and Equipment

Accumulated depreciation consisted of the following:

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

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

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

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

8. Deferred Charges, Net

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

9. Bonds Payable

	2004	2003
Domestic unsecured bonds:		
Issued in October 1999 and repayable in October 2004, 5.95% interest payable annually	\$ -	\$ 5,000,000
Issued in December 2000 and repayable in December 2005 and 2007 in two equal payments, 5.25% and 5.36% interest payable annually, respectively	15,000,000	15,000,000
Issued in January 2002 and repayable in January 2007, 2009 and 2012 in three equal payments, 2.60%, 2.75% and 3.00% interest payable annually, respectively	<u>15,000,000</u>	<u>15,000,000</u>
	<u>\$ 30,000,000</u>	<u>\$ 35,000,000</u>

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

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

10. Other Long-Term Payables

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

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

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

11. Pension Plan

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

Information on the pension plan is summarized as follows:

a. Components of net periodic pension cost

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

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

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

c. Actuarial assumptions

	2004	2003
Discount rate used in determining present values	3.25%	3.25%
Future salary increase rate	3.00%	3.00%
Expected rate of return on plan assets	3.25%	3.25%

d. Contributions to the Fund

	2004	2003
	<u>\$ 226,339</u>	<u>\$ 181,106</u>

e. Payments from the Fund

	2004	2003
	\$ <u>1,446</u>	\$ <u>3,490</u>

12. Income Tax

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

	2004	2003
Income tax based on "income before income tax" at statutory rate (25%)	\$ (22,944,646)	\$ (12,757,069)
Tax-exempt income	15,372,913	5,255,750
Temporary and permanent differences	<u>(2,077,362)</u>	<u>728,904</u>
Current income tax on income before income tax credits	\$ <u>(9,649,095)</u>	\$ <u>(6,772,415)</u>

b. Income tax benefit (expense) consists of:

	2004	2003
Current income tax on income before income tax credits	\$ (9,649,095)	\$ (6,772,415)
Additional 10% income tax on unappropriated earnings	(821,767)	(1,271,759)
Income tax credits	10,470,862	7,917,070
Other income tax	(563,876)	(2,500)
Net change in deferred income tax assets and liabilities		
Investment tax credits	234,690	(917,759)
Temporary differences	1,034,916	80,390
Net change in valuation allowance of deferred income tax assets	<u>(168,199)</u>	<u>(2,802,602)</u>
Income tax benefit (expense)	\$ <u>537,531</u>	\$ <u>(3,769,575)</u>

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

	2004	2003
Current:		
Investment tax credits	\$ <u>8,849,000</u>	\$ <u>8,322,000</u>
Noncurrent:		
Investment tax credits	17,035,584	17,327,894
Temporary differences	(2,450,535)	(3,485,451)
Valuation allowance	<u>(12,940,046)</u>	<u>(12,771,847)</u>
	\$ <u>1,645,003</u>	\$ <u>1,070,596</u>

d. Integrated income tax information:

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

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

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

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

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

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

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

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

	Tax-Exemption Period
Construction of Fab 6	2001 to 2004
Construction of Fab 8 - module B	2002 to 2005
Expansion of Fab 2 - modules A and B, Fab 3, Fab 4, Fab 5 and Fab 6	2003 to 2006
Construction of Fab 12	2004 to 2007

h. The tax authorities have examined income tax returns of the Company through 2000. However, the Company is contesting the assessment of the tax authority for 1992 and 1998. The Company believes that any additional assessment will not have a material adverse effect on the Company.

13. Labor Cost, Depreciation and Amortization Expenses

	Year Ended December 31, 2004			Year Ended December 31, 2003		
	Classified as Cost of Sales	Classified as Operating Expenses	Total	Classified as Cost of Sales	Classified as Operating Expenses	Total
Labor cost						
Salary	\$ 8,832,324	\$ 4,160,867	\$ 12,993,191	\$ 7,392,295	\$ 3,093,658	\$ 10,485,953
Labor and health insurance	571,853	309,585	881,438	476,687	239,067	715,754
Pension	471,646	255,482	727,128	379,845	190,507	570,352
Other	398,428	356,877	755,305	273,780	159,569	433,349
	<u>\$ 10,274,251</u>	<u>\$ 5,082,811</u>	<u>\$ 15,357,062</u>	<u>\$ 8,522,607</u>	<u>\$ 3,682,801</u>	<u>\$ 12,205,408</u>
Depreciation	\$ 56,001,719	\$ 2,429,967	\$ 58,431,686	\$ 55,699,522	\$ 2,298,375	\$ 57,997,897
Amortization	\$ 2,496,827	\$ 2,137,893	\$ 4,634,720	\$ 1,385,594	\$ 2,399,724	\$ 3,785,318

14. Shareholders' Equity

Common Stock, Capital Surplus and Earnings

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

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

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

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

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

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

d. The appropriation of any remaining balance shall be approved by the shareholders.

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

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

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

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

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

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

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

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

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

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

Preferred Stock

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

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

Preferred shareholders

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

15. Stock-Based Compensation Plans

The Company's Employee Stock Option Plans, the 2003 Plan and the 2002 Plan, were approved on October 29, 2003 and June 25, 2002, respectively. The maximum number of units authorized to be granted under 2003 Plan and the 2002 Plan is 120,000 thousand and 100,000 thousand, respectively, with each unit representing one common share of stock. The option rights may be granted to qualified employees of the Company or any of its domestic or foreign subsidiaries, in which the Company's shareholding with voting rights, directly or indirectly, is more than fifty percent (50%). The option rights of both plans are valid for ten years and exercisable at certain percentages subsequent to the second anniversary of the grant date. Under the terms of the plans, stock option rights are granted at an exercise price equal to the closing price of the Company's common shares listed on the TSE on the date of grant. Under the 2003 Plan and the 2002 Plan, units that were never granted, or had been granted and subsequently cancelled were expired as of December 31, 2004.

On November 2, 2004, the board of directors approved the 2004 Plan, in which the maximum number of units authorized to be granted is 11,000 thousand, with each unit representing one common share of stock. The option rights may be granted to qualified employees of the Company or any of its domestic or foreign subsidiaries, in which the Company's shareholding with voting rights, directly or indirectly, is more than fifty percent (50%). The option rights of the plans are valid for ten years and exercisable at certain percentages subsequent to the second anniversary of the grant date. Under the terms of the plan, stock option rights are granted at an exercise price equal to the closing price of the Company's common shares listed on the TSE on the date of grant. The 2004 plan was approved by Bureau of Monetary Affairs, Financial Supervisory Commission of the R.O.C. on January 6, 2005.

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

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

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

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

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

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

Method	Amount
Assumptions:	
Expected dividend yield	1.00%
Expected volatility	43.77%-46.15%
Risk free interest rate	3.07%-3.85%
Expected life	5 years
Net income:	
Net income as reported	\$ 92,316,115
Pro forma net income	92,257,355

(Continued)

	NT\$
Earnings per share (EPS) - after income tax:	
Basic EPS as reported	3.97
Pro forma basic EPS	3.97
Diluted EPS as reported	3.97
Pro forma diluted EPS	3.97

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

16. Treasury Stock (Common Stock)

(Shares in thousand)

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

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

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

17. Earnings Per Share

EPS is computed as follows:

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

18. Related Party Transactions

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

- a. Industrial Technology Research Institute (ITRI); the Chairman of the Company is one of its directors
- b. Philips; a major shareholder of the Company
- c. Subsidiaries
 - TSMC - North America
 - TSMC - Europe
 - TSMC - Japan
 - TSMC - Shanghai
- d. Investees
 - VIS
 - SSMC
 - GUC
 - VisEra

e. Indirect subsidiaries

WaferTech, LLC (WaferTech)

TSMC Technology, Inc. (TSMC Technology)

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

	2004		2003	
	Amount	%	Amount	%
<u>For the years</u>				
Sales				
TSMC - North America	\$ 142,271,732	55	\$ 117,758,911	57
Philips and its affiliates	5,463,565	2	3,577,054	2
Others	466,345	-	610,534	-
	<u>\$ 148,201,642</u>	<u>57</u>	<u>\$ 121,946,499</u>	<u>59</u>
Purchase				
WaferTech	\$ 15,203,047	34	\$ 11,433,083	36
VIS	9,169,602	21	4,910,810	15
SSMC	5,869,123	13	5,519,805	17
TSMC - Shanghai	12,752	-	-	-
	<u>\$ 30,254,524</u>	<u>68</u>	<u>\$ 21,863,698</u>	<u>68</u>
Manufacturing expenses - technical assistance fee (See Note 20a)				
Philips	\$ 907,047	1	\$ 3,023,741	3
Marketing expenses - commission				
TSMC - Japan	\$ 253,341	17	\$ 215,202	18
TSMC - Europe	202,678	14	154,262	13
	<u>\$ 456,019</u>	<u>31</u>	<u>\$ 369,464</u>	<u>31</u>
General and administrative expense - rental expenses				
GUC	\$ 13,186	2	\$ -	-
Research and development expenses				
GUC	\$ 11,688	-	\$ -	-
Sales of property, plant and equipment				
TSMC - Shanghai	\$ 2,969,347	96	\$ -	-
VIS	33,974	1	15,125	9
	<u>\$ 3,003,321</u>	<u>97</u>	<u>\$ 15,125</u>	<u>9</u>
Non-operating income and gains				
SSMC (primarily technical service income, see Note 20e)	\$ 364,505	5	\$ 201,869	8
VIS (primarily technical service income, see Note 20j)	117,760	2	251	-
VisEra	28,917	-	-	-
WaferTech	3,267	-	2,794	-
	<u>\$ 514,449</u>	<u>7</u>	<u>\$ 204,914</u>	<u>8</u>

(Continued)

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

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

19. Significant Long-Term Operating Leases

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

Future remaining lease payments are as follows:

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

20. Significant Commitments and Contingencies

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

- a. On June 20, 2004, the Company and Philips revised the Technical Cooperation Agreement, which was originally signed on May 12, 1997, with an effective date from January 1, 2004 for five years. Upon expiration, this amended Technical Cooperation Agreement will be terminated at the expiration date and will not be automatically renewed. Under this amended Technical Cooperation Agreement, the Company will pay Philips royalties based on a fixed amounts mutually agreed-on, rather than under certain percentage of the Company's annual net sales. The Company and Philips agree to cross license the patents owned by each party. The Company also obtained through Philips a number of patent cross licenses.
- b. Under a technical cooperation agreement with ITRI, the Company shall reserve and allocate up to 35% of certain of its production capacity for use by the Ministry of Economic Affairs (MOEA) or any other party designated by the MOEA.
- c. Under several foundry agreements, the Company shall reserve a portion of its production capacity for certain major customers that have guarantee deposits with the Company. As of December 31, 2004, the Company had a total of US\$12,802 thousand of guarantee deposits.
- d. Under a Shareholders Agreement entered into with Philips and EDB Investments Pte Ltd. on March 30, 1999, the parties formed a joint venture company, SSMC, for the purpose of constructing an integrated circuit foundry in Singapore. As of December 31, 2004, the Company's equity interest in SSMC was 32%. The Company and Philips committed to buy specific percentages of the production capacity of SSMC. If any party defaults on the commitment and the capacity utilization of SSMC falls below a specific percentage of its total capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs.
- e. The Company provides technical services to SSMC under a Technical Cooperation Agreement (the Agreement) entered into on May 12, 1999. The Company receives compensation for such services computed at a specific percentage of net selling price of certain products sold by SSMC. The Agreement shall remain in force for ten years and may be automatically renewed for successive periods of five years each unless pre-terminated by either party under certain conditions.
- f. Under a Technology Transfer Agreement (TTA) with National Semiconductor Corporation (National) entered into on June 27, 2000, the Company shall receive payments for the licensing of certain technology to National. The agreement was to remain in force for ten years and could be automatically renewed for successive periods of two years thereafter unless either party gives notice for early termination under certain conditions. In January 2003, the Company and National entered into a Termination Agreement whereby the TTA was terminated for convenience. Under the Termination Agreement, the Company will be relieved of any further obligation to transfer any additional technology. In addition, the Company granted National an option to request the transfer of certain technologies under the same terms and conditions as the terminated TTA. The option will expire in January 2008.

- g. Beginning in 2001, the Company entered into several licensing arrangements for certain semiconductor patents. The terms of the contracts range from five to ten years with payments to be made in the form of royalties over the term of the related contracts. The Company has recorded the related amounts as a liability with the corresponding amounts recorded as deferred charges which are amortized and charged to cost of sales on a straight-line basis over the estimated life of the technology or the term of the contract, whichever is shorter.
- h. In November 2002, the Company entered into an Amended and Restated Joint Technology Cooperation Agreement with Philips, Motorola, Inc. and STMicroelectronics to jointly develop 90-nm to 65-nm advanced CMOS Logic and e-DRAM technologies. The Company also agreed to align 0.12 micron CMOS Logic technology to enhance its foundry business opportunities. The Company will contribute process technologies and share a portion of the costs associated with this joint development project.
- i. In December 2003, the Company entered into a Technology Development and License Agreement with Motorola, Inc. to jointly develop 65-nm SOI (silicon on insulator) technology. The Company will also license related 90-nm SOI technology from Motorola, Inc. Any intellectual properties arising out of the co-development project shall be jointly owned by the parties. In accordance with the agreement, the Company will pay royalties to Motorola, Inc. and will share a portion of the costs associated with the joint development project.
- j. The Company provides a technology transfer to VIS under a Manufacturing License and Technology Transfer Agreement entered into in August 2004. The Company receives compensation for such technology transfer in the form of royalty payments from VIS computed at specific percentages of net selling price of certain products sold by VIS. VIS agreed to reserve its certain capacity to manufacture for the Company certain products at prior as agreed by the parties.
- k. Amounts available under unused letters of credit as of December 31, 2004 were NT\$6,480 thousand, US\$204 thousand and SG\$85 thousand.
- l. The Company provided guarantees on loans amounting to US\$60,000 thousand and US\$40,000 thousand for TSMC Development, Inc. (TSMC Development) and TSMC - North America, respectively.
- m. TSMC, TSMC - North America and WaferTech filed a series of lawsuits in late 2003 and 2004 in both state and federal courts in California and with the U.S. International Trade Commission against Semiconductor Manufacturing International Corporation ("SMIC"), SMIC (Shanghai) and SMIC Americas. The lawsuits alleged that SMIC companies infringed multiple TSMC patents and misappropriated TSMC's trade secrets. These suits have been settled out of court on January 30, 2005. As part of the agreement, SMIC will pay TSMC US\$175 million over six years to resolve TSMC's patent infringement and trade secret claims.

21. Additional Disclosures

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

- a. Financing provided: Please see Table 1 attached;
- b. Endorsement/guarantee provided: Please see Table 2 attached;
- c. Marketable securities held: Please see Table 3 attached;
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;
- e. Acquisition of individual real estate at costs of at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;
- f. Disposal of individual real estate at prices of at least NT\$100 million or 20% of the paid-in capital: None;
- g. Total purchase from or sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 6 attached;
- h. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 7 attached;
- i. Names, locations, and related information of investees of which the Company exercises significant influence: Please see Table 8 attached;
- j. Financial instrument transactions:
 - 1) Derivative financial instruments

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

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

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

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

b) Cross currency swaps

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

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

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

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

c) Interest rate swaps

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

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

d) Option contracts

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

There were no outstanding option contracts as of December 31, 2003. The Company entered into foreign currency option contracts for hedging purposes; therefore, the related premiums and the foreign exchange gain or loss are recognized in the "foreign exchange loss, net" account.

e) Transaction risk

i) Credit risk. Credit risk represents the positive net settlement amount of those contracts with positive fair values at the balance sheet date. The positive net settlement amount represents the loss incurred by the Company if the counter-parties breached the contracts. The banks, which are the counter-parties to the foregoing derivative financial instruments, are reputable financial institutions. Management believes its exposure related to the potential default by those counter-parties is low.

ii) Market price risk. All derivative financial instruments are intended as hedges for fluctuations in foreign exchange rates and interest rates. Gains or losses from these hedging instruments are likely to be offset by gains or losses from the hedged items. Interest rate risks are also controlled as the expected cost of capital is fixed. Thus, market price risks are believed to be low.

iii) Cash flow risk and the amount and period of future cash needs.

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

Term	Inflow (in thousand)		Outflow (in thousand)	
	Within one year	NT\$	69,761,484	US\$
	EUR	118,500		

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

2) Fair values of financial instruments were as follows:

	2004		2003	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Non-derivative financial instruments</u>				
Assets				
Short-term investments, net	\$ 52,979,095	\$ 52,979,095	\$ 12,559,019	\$ 12,703,444
Long-term investments (securities with market price)	20,572,150	23,657,754	4,077,198	10,465,676
Liabilities				
Bonds payable (including current portion)	30,000,000	30,607,341	35,000,000	35,850,377
<u>Derivative financial instruments</u>				
Forward exchange contracts (buy)	-	-	2,351	3,037
Forward exchange contracts (sell)	391,975	317,090	(99,984)	40,638
Cross currency swap contracts	761,030	760,012	-	-
Interest rate swap contracts	4,361	(22,714)	-	2,093

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

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

Fair values of financial instruments were determined as follows:

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

k. Information on investment in Mainland China

- 1) The name of the investee company in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, ratio of ownership, equity in the net gain or net loss, ending balance, amount received as earnings distributions from the investment, and the limitation on investment: Please see Table 9 attached.
- 2) Significant direct or indirect transactions with the investee company, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Please see Note 18.

22. Segment Financial Information

a. Gross export sales

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

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

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

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

TABLE 1

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND INVESTEES
FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2004**

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

No.	Financing Name	Counter-party	Financial Statement Account	Maximum Balance for the Period (US\$ in thousand)	Ending Balance (US\$ in thousand)
1	TSMC International	TSMC Development	Other receivables	\$ 1,915,020 (US\$ 60,000)	\$ 1,915,020 (US\$ 60,000)
		TSMC Technology	Other receivables	319,170 (US\$ 10,000)	-
2	TSMC Partners	TSMC Development	Other receivables	2,553,360 (US\$ 80,000)	2,553,360 (US\$ 80,000)

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

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

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

TABLE 2

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND INVESTEES
ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2004**

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

No.	Endorsement/ Guarantee Provider	Counter-party		Limits on Each Counter-party's Endorsement/ Guarantee Amounts
		Name	Nature of Relationship (Note 2)	
0	The Company	TSMC Development	3	Not exceed 10% of the net worth of the Company, and also limiting to the total capital issued of the endorsement/guarantee company, unless otherwise approved by Board of Directors.
		TSMC - North America	2	
		WaferTech	3	

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

Note 2: The No. 2 represents a subsidiary in which the Company holds directly over 50% of the equity interest.

The No. 3 represents an investee in which the Company holds directly and indirectly over 50% of the equity interest.

Interest Rate	Type of Financing (Note 1)	Transaction Amounts	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limits (US\$ in thousand)
					Item	Value		
1.50%	2	\$ -	Operating capital	\$ -	-	\$ -	N/A	\$ 31,532,982 (US\$ 987,968) (Note 2)
-	-	-	-	-	-	-		
1.50%	2	-	Operating capital	-	-	-	N/A	(Note 3)

Maximum Balance for the Year (US\$ in thousand)	Ending Balance (US\$ in thousand)	Value of Collateral Property, Plant and Equipment	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statement	Maximum Collateral/Guarantee Amounts Allowable (Note 1)
\$ 1,915,020 (US\$ 60,000)	\$ 1,915,020 (US\$ 60,000)	\$ -	0.48%	\$ 99,741,325
1,276,680 (US\$ 40,000)	1,276,680 (US\$ 40,000)	-	0.32%	
14,043,480 (US\$ 440,000)	-	-	-	

TABLE 3

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND INVESTEES
MARKETABLE SECURITIES HELD
DECEMBER 31, 2004

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

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account
The Company	<u>Government bonds</u>		
	2003 Government Bond Series A	-	Short-term investment
	United States Treas NTS	-	Short-term investment
	2003 Government Bond Series I	-	Long-term investment
	2004 Government Bond Series A	-	Long-term investment
	2004 Government Bond Series E	-	Long-term investment
	2004 Kaohsiung Municipal Bond Series A	-	Long-term investment
	<u>Bonds under repurchase agreement</u>	-	Short-term investment
	<u>Bond funds</u>		
	JF Taiwan Bond Fund	-	Short-term investment
	ABN AMRO Bond Fund	-	Short-term investment
	JF Taiwan First Bond Fund	-	Short-term investment
	INVESCO R.O.C. Bond A Fund	-	Short-term investment
	Dresdner Bond DAM Fund	-	Short-term investment
	Barits Bond Fund	-	Short-term investment
	Shinkong Chi Shin Bond Fund	-	Short-term investment
	ABN AMRO Select Bond Fund	-	Short-term investment
	NITC Bond Fund	-	Short-term investment
	HSBC NTD Money Management Fund	-	Short-term investment
	<u>Stock</u>		
	Taiwan Mask Corp.	-	Short-term investment
	TSMC International	Subsidiary	Long-term investment
	VIS	Investee	Long-term investment
	TSMC Partners	Subsidiary	Long-term investment
	SSMC	Investee	Long-term investment
	TSMC - North America	Subsidiary	Long-term investment
	GUC	Investee	Long-term investment
	TSMC - Japan	Subsidiary	Long-term investment
	VisEra	Investee	Long-term investment
	TSMC - Europe	Subsidiary	Long-term investment
	United Industrial Gases Co., Ltd.	-	Long-term investment
	Shin-Etsu Handotai Taiwan Co., Ltd.	-	Long-term investment
	W.K. Technology Fund IV	-	Long-term investment
	Hontung Venture Capital Co., Ltd.	-	Long-term investment
	Globaltop Partner I Venture Capital Corp.	-	Long-term investment
	<u>Corporate bonds</u>		
	Taiwan Power Company	-	Short-term investment
	Abbott Labs	-	Short-term investment
	Abbott Labs	-	Short-term investment
	Ace Ltd	-	Short-term investment
	ALG Sunamerica Global Fing IX	-	Short-term investment
	Allstate Finl Global Fdg LLC	-	Short-term investment
	American Express Co.	-	Short-term investment
American Gen Fin Corp.	-	Short-term investment	
American Gen Fin Corp. Mtn	-	Short-term investment	
American Gen Fin Corp. Mtn	-	Short-term investment	

December 31, 2004				Note
Shares/Units (in thousand)	Carrying Value (US\$ in thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in thousand)	
-	\$ 1,207,409	N/A	\$ 1,202,028	Treasury stock of NT\$677,110 thousand is deducted from the carrying value.
-	US\$ 192,357	N/A	US\$ 191,824	
-	3,397,081	N/A	3,393,982	
-	2,349,573	N/A	2,352,973	
-	3,893,827	N/A	3,892,025	
-	620,000	N/A	620,000	
-	249,449	N/A	251,593	
78,698	1,153,209	N/A	1,169,406	
134,906	1,956,175	N/A	1,978,785	
84,886	1,151,463	N/A	1,162,632	
76,705	1,101,911	N/A	1,111,932	
80,833	900,000	N/A	910,904	
76,640	900,000	N/A	907,765	
151,594	2,100,000	N/A	2,115,554	
18,235	200,000	N/A	201,183	
3,764	600,000	N/A	602,703	
41,568	600,000	N/A	601,958	
1,787	6,528	-	27,552	
987,968	23,778,997	100	23,778,997	
409,532	5,401,982	28	8,493,692	
300	3,908,356	100	3,908,356	
382	3,290,888	32	3,290,888	
11,000	502,242	100	1,179,352	
39,040	391,626	47	418,272	
6	102,572	100	102,572	
5,100	59,116	25	59,116	
-	25,439	100	25,439	
16,783	193,584	10	284,036	
10,500	105,000	7	170,940	
5,000	50,000	2	55,146	
8,392	83,916	10	53,571	
5,000	50,000	1	49,909	
-	2,777,798	N/A	2,749,413	
-	US\$ 2,732	N/A	US\$ 2,709	
-	US\$ 1,581	N/A	US\$ 1,587	
-	US\$ 1,046	N/A	US\$ 1,042	
-	US\$ 1,032	N/A	US\$ 1,028	
-	US\$ 3,171	N/A	US\$ 3,096	
-	US\$ 3,550	N/A	US\$ 3,503	
-	US\$ 1,768	N/A	US\$ 1,765	
-	US\$ 3,130	N/A	US\$ 3,087	
-	US\$ 1,058	N/A	US\$ 1,042	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account
	American Honda Fin Corp. Mtn	-	Short-term investment
	American Intl Group Inc. Mtnf	-	Short-term investment
	Amgen Inc.	-	Short-term investment
	Amsouth Bk Birmingham Ala	-	Short-term investment
	ANZ Cap Tr I	-	Short-term investment
	Bank New York Inc.	-	Short-term investment
	Bank New York Inc.	-	Short-term investment
	Bank Scotland Treas Svcs PLC	-	Short-term investment
	Bank Utd Houston TX Mtn	-	Short-term investment
	Bear Stearns Cos Inc.	-	Short-term investment
	Bear Stearns Cos Inc. Medium Te	-	Short-term investment
	Berkshire Hathaway Fin Corp.	-	Short-term investment
	Bristol Myers Squibb Co.	-	Short-term investment
	British Telecommunications PLC	-	Short-term investment
	Cargill Inc.	-	Short-term investment
	Chase Manhattan Corp. New	-	Short-term investment
	Cit Group Hldgs Inc.	-	Short-term investment
	Citigroup Inc.	-	Short-term investment
	Citigroup Inc.	-	Short-term investment
	Citigroup Inc.	-	Short-term investment
	Colonial Pipeline Co.	-	Short-term investment
	Compaq Computer Corp.	-	Short-term investment
	Consolidated Edison Co. NY Inc.	-	Short-term investment
	Corestates Cap Corp.	-	Short-term investment
	Countrywide Fdg Corp. Mtn	-	Short-term investment
	Countrywide Home Lns Inc.	-	Short-term investment
	Credit Suisse Fb USA Inc.	-	Short-term investment
	Credit Suisse First Boston	-	Short-term investment
	Credit Suisse First Boston USA	-	Short-term investment
	Daimlerchrysler North Amer	-	Short-term investment
	Daimlerchrysler North Amer Hld	-	Short-term investment
	Dell Computer Corp.	-	Short-term investment
	Den Danske BK Aktieselskab	-	Short-term investment
	Deutsche Telkom Intl Fin BV	-	Short-term investment
	Diageo PLC	-	Short-term investment
	Dow Chem Co.	-	Short-term investment
	European Invt Bk	-	Short-term investment
	Fifth Third Bk Cincinnati OH	-	Short-term investment
	First Data Corp.	-	Short-term investment
	First Un Corp.	-	Short-term investment
	Fleet Finl Group Inc. New	-	Short-term investment
	Fleet Finl Corp Inc. New	-	Short-term investment
	Ford Mtr Cr Co.	-	Short-term investment
	FPL Group Cap Inc.	-	Short-term investment
	FPL Group Cap Inc.	-	Short-term investment
	General Elec Cap Corp. Mtn	-	Short-term investment
	General Elec Cap Corp. Mtn	-	Short-term investment
	General Elec Cap Corp. Mtn	-	Short-term investment
	Genworth Finl Inc.	-	Short-term investment
	Goldman Sachs Group Inc. Mtn	-	Short-term investment
	Goldman Sachs Group LP	-	Short-term investment
	Goldman Sachs Group LP	-	Short-term investment
	Greenpoint Finl Corp.	-	Short-term investment
	GTE Corp.	-	Short-term investment
	Hancock John Global Fdg Mtn	-	Short-term investment
	Hartford Finl Svcs Group Inc.	-	Short-term investment
	Hartford Finl Svcs Group Inc.	-	Short-term investment
	Heller Finl Inc.	-	Short-term investment

December 31, 2004					Note
Shares/Units (in thousand)	Carrying Value (US\$ in thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in thousand)		
-	US\$ 3,800	N/A	US\$ 3,803		
-	US\$ 3,795	N/A	US\$ 3,795		
-	US\$ 3,005	N/A	US\$ 2,991		
-	US\$ 1,972	N/A	US\$ 1,978		
-	US\$ 1,012	N/A	US\$ 1,001		
-	US\$ 1,525	N/A	US\$ 1,509		
-	US\$ 3,945	N/A	US\$ 3,943		
-	US\$ 2,715	N/A	US\$ 2,717		
-	US\$ 580	N/A	US\$ 574		
-	US\$ 3,518	N/A	US\$ 3,493		
-	US\$ 3,105	N/A	US\$ 3,105		
-	US\$ 1,498	N/A	US\$ 1,494		
-	US\$ 3,819	N/A	US\$ 3,788		
-	US\$ 2,104	N/A	US\$ 2,091		
-	US\$ 2,120	N/A	US\$ 2,079		
-	US\$ 1,628	N/A	US\$ 1,613		
-	US\$ 3,203	N/A	US\$ 3,195		
-	US\$ 2,000	N/A	US\$ 2,002		
-	US\$ 1,033	N/A	US\$ 1,033		
-	US\$ 3,583	N/A	US\$ 3,523		
-	US\$ 1,625	N/A	US\$ 1,612		
-	US\$ 3,719	N/A	US\$ 3,593		
-	US\$ 3,687	N/A	US\$ 3,618		
-	US\$ 1,062	N/A	US\$ 1,060		
-	US\$ 2,158	N/A	US\$ 2,151		
-	US\$ 5,210	N/A	US\$ 5,157		
-	US\$ 2,645	N/A	US\$ 2,599		
-	US\$ 786	N/A	US\$ 779		
-	US\$ 2,249	N/A	US\$ 2,240		
-	US\$ 997	N/A	US\$ 999		
-	US\$ 749	N/A	US\$ 755		
-	US\$ 3,054	N/A	US\$ 3,025		
-	US\$ 2,192	N/A	US\$ 2,166		
-	US\$ 1,852	N/A	US\$ 1,838		
-	US\$ 3,459	N/A	US\$ 3,477		
-	US\$ 921	N/A	US\$ 911		
-	US\$ 8,315	N/A	US\$ 8,236		
-	US\$ 2,419	N/A	US\$ 2,466		
-	US\$ 3,013	N/A	US\$ 2,986		
-	US\$ 970	N/A	US\$ 965		
-	US\$ 494	N/A	US\$ 493		
-	US\$ 975	N/A	US\$ 962		
-	US\$ 1,542	N/A	US\$ 1,535		
-	US\$ 1,001	N/A	US\$ 990		
-	US\$ 860	N/A	US\$ 846		
-	US\$ 3,467	N/A	US\$ 3,455		
-	US\$ 1,040	N/A	US\$ 1,040		
-	US\$ 3,886	N/A	US\$ 3,878		
-	US\$ 3,412	N/A	US\$ 3,408		
-	US\$ 3,505	N/A	US\$ 3,494		
-	US\$ 1,637	N/A	US\$ 1,599		
-	US\$ 1,100	N/A	US\$ 1,075		
-	US\$ 974	N/A	US\$ 972		
-	US\$ 2,134	N/A	US\$ 2,109		
-	US\$ 1,003	N/A	US\$ 986		
-	US\$ 765	N/A	US\$ 758		
-	US\$ 296	N/A	US\$ 296		
-	US\$ 1,171	N/A	US\$ 1,163		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account
	Hershey Foods Corp.	-	Short-term investment
	Hewlett Packard Co.	-	Short-term investment
	Honeywell Inc.	-	Short-term investment
	Household Fin Corp.	-	Short-term investment
	Household Fin Corp.	-	Short-term investment
	Household Fin Corp. Mtn Bk Ent	-	Short-term investment
	HSBC USA Inc.New	-	Short-term investment
	Huntington Natl Bk	-	Short-term investment
	Huntington Natl Bk Columbus OH	-	Short-term investment
	ING Bank	-	Short-term investment
	ING Sec Life Ins IngsLf	-	Short-term investment
	Intl Bk For Recon + Dev	-	Short-term investment
	JP Morgan Chase + Co.	-	Short-term investment
	Jackson Natl Life Global Fdg	-	Short-term investment
	Jackson Natl Life Global Fdg S	-	Short-term investment
	JP Morgan Chase + Co.	-	Short-term investment
	Keycorp Mtn Book Entry	-	Short-term investment
	KFW Intl Fin Inc.	-	Short-term investment
	Kraft Foods Inc.	-	Short-term investment
	Kraft Foods Inc.	-	Short-term investment
	Lehman Brothers Hldgs Inc.	-	Short-term investment
	Lehman Brothers Hldgs Inc.	-	Short-term investment
	Lehman Brothers Hldgs Inc.	-	Short-term investment
	Lilly Eli + Co.	-	Short-term investment
	Lincoln Natl Corp. In	-	Short-term investment
	Merita Bk Ltd NY Brh	-	Short-term investment
	Merrill Lynch + Co. Inc.	-	Short-term investment
	Metropolitan Life Global Mtn	-	Short-term investment
	Monumental Global Fdg II	-	Short-term investment
	Monumental Global Fdg II	-	Short-term investment
	Monumental Global Fdg II 2002A	-	Short-term investment
	Morgan Stanley	-	Short-term investment
	Morgan Stanley Group Inc.	-	Short-term investment
	Morgan Stanley Group Inc.	-	Short-term investment
	National Westminster Bk PLC	-	Short-term investment
	Nationsbank Corp.	-	Short-term investment
	Nationwide Bldg Soc	-	Short-term investment
	Nationwide Life Global Mtn	-	Short-term investment
	Pepsico Inc. Mtn Book Entry	-	Short-term investment
	PNC Fdg Corp.	-	Short-term investment
	Popular North Amer Inc. Mtn	-	Short-term investment
	Premark Intl Inc.	-	Short-term investment
	Pricoa Global Fdg I Mtn	-	Short-term investment
	Pricoa Global Fdg I Mtn	-	Short-term investment
	Principal Life Global Fdg I GI	-	Short-term investment
	Protective Life Secd Trs	-	Short-term investment
	Prudential Ins Co. Amer	-	Short-term investment
	Reinsurance Group Amer Inc.	-	Short-term investment
	Royal Bk Scotland Group PLC	-	Short-term investment
	Royal Bk Scotland Group PLC	-	Short-term investment
	Royal Bk Scotland Group PLC	-	Short-term investment
	Safeco Corp.	-	Short-term investment
	Salomon Smith Barney Hldgs Inc.	-	Short-term investment
	Sara Lee Corp.	-	Short-term investment
	SBC Communications Inc.	-	Short-term investment
	SBC Communications Inc.	-	Short-term investment
	Scotland Intl Fin B V 144A	-	Short-term investment
	Shell Finance (UK) PLC	-	Short-term investment

December 31, 2004					Note
Shares/Units (in thousand)	Carrying Value (US\$ in thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in thousand)		
-	US\$ 1,627	N/A	US\$ 1,606		
-	US\$ 3,373	N/A	US\$ 3,305		
-	US\$ 3,284	N/A	US\$ 3,218		
-	US\$ 529	N/A	US\$ 522		
-	US\$ 2,993	N/A	US\$ 2,985		
-	US\$ 3,542	N/A	US\$ 3,510		
-	US\$ 1,154	N/A	US\$ 1,134		
-	US\$ 3,003	N/A	US\$ 3,000		
-	US\$ 2,954	N/A	US\$ 2,961		
-	US\$ 2,114	N/A	US\$ 2,113		
-	US\$ 3,012	N/A	US\$ 3,007		
-	US\$ 5,232	N/A	US\$ 5,102		
-	US\$ 1,043	N/A	US\$ 1,039		
-	US\$ 1,036	N/A	US\$ 1,032		
-	US\$ 2,998	N/A	US\$ 2,988		
-	US\$ 3,663	N/A	US\$ 3,629		
-	US\$ 3,500	N/A	US\$ 3,502		
-	US\$ 5,104	N/A	US\$ 5,027		
-	US\$ 773	N/A	US\$ 765		
-	US\$ 1,037	N/A	US\$ 1,036		
-	US\$ 1,163	N/A	US\$ 1,162		
-	US\$ 3,705	N/A	US\$ 3,634		
-	US\$ 2,171	N/A	US\$ 2,154		
-	US\$ 3,750	N/A	US\$ 3,749		
-	US\$ 519	N/A	US\$ 518		
-	US\$ 538	N/A	US\$ 533		
-	US\$ 3,486	N/A	US\$ 3,481		
-	US\$ 1,907	N/A	US\$ 1,910		
-	US\$ 2,500	N/A	US\$ 2,501		
-	US\$ 1,534	N/A	US\$ 1,516		
-	US\$ 1,045	N/A	US\$ 1,034		
-	US\$ 2,136	N/A	US\$ 2,128		
-	US\$ 3,638	N/A	US\$ 3,628		
-	US\$ 1,050	N/A	US\$ 1,048		
-	US\$ 1,433	N/A	US\$ 1,422		
-	US\$ 3,644	N/A	US\$ 3,549		
-	US\$ 3,457	N/A	US\$ 3,477		
-	US\$ 1,463	N/A	US\$ 1,469		
-	US\$ 3,818	N/A	US\$ 3,817		
-	US\$ 1,080	N/A	US\$ 1,075		
-	US\$ 3,042	N/A	US\$ 3,022		
-	US\$ 2,954	N/A	US\$ 2,914		
-	US\$ 3,507	N/A	US\$ 3,503		
-	US\$ 3,050	N/A	US\$ 3,047		
-	US\$ 3,168	N/A	US\$ 3,102		
-	US\$ 2,920	N/A	US\$ 2,969		
-	US\$ 2,648	N/A	US\$ 2,610		
-	US\$ 2,091	N/A	US\$ 2,089		
-	US\$ 1,563	N/A	US\$ 1,547		
-	US\$ 564	N/A	US\$ 558		
-	US\$ 369	N/A	US\$ 364		
-	US\$ 765	N/A	US\$ 763		
-	US\$ 3,160	N/A	US\$ 3,100		
-	US\$ 1,596	N/A	US\$ 1,601		
-	US\$ 3,681	N/A	US\$ 3,617		
-	US\$ 2,251	N/A	US\$ 2,245		
-	US\$ 1,533	N/A	US\$ 1,532		
-	US\$ 3,604	N/A	US\$ 3,553		

(Continued)

December 31, 2004					Note
Shares/Units (in thousand)	Carrying Value (US\$ in thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in thousand)		
-	US\$ 500	N/A	US\$ 501		
-	US\$ 2,950	N/A	US\$ 2,985		
-	US\$ 991	N/A	US\$ 992		
-	US\$ 1,062	N/A	US\$ 1,060		
-	US\$ 1,084	N/A	US\$ 1,067		
-	US\$ 519	N/A	US\$ 514		
-	US\$ 2,943	N/A	US\$ 2,965		
-	US\$ 2,755	N/A	US\$ 2,704		
-	US\$ 3,119	N/A	US\$ 3,097		
-	US\$ 2,669	N/A	US\$ 2,687		
-	US\$ 2,884	N/A	US\$ 2,838		
-	US\$ 2,559	N/A	US\$ 2,561		
-	US\$ 3,720	N/A	US\$ 3,600		
-	US\$ 3,670	N/A	US\$ 3,602		
-	US\$ 4,768	N/A	US\$ 4,689		
-	US\$ 4,735	N/A	US\$ 4,682		
-	US\$ 3,182	N/A	US\$ 3,180		
-	US\$ 3,697	N/A	US\$ 3,631		
-	US\$ 1,999	N/A	US\$ 1,999		
-	2,978,804	N/A	2,977,695		
-	915,276	N/A	914,582		
-	407,526	N/A	407,484		
-	405,485	N/A	405,322		
-	202,595	N/A	200,000		
-	US\$ 3,466	N/A	US\$ 3,462		
-	US\$ 2,532	N/A	US\$ 2,520		
-	US\$ 1,042	N/A	US\$ 1,024		
-	US\$ 4,927	N/A	US\$ 4,947		
-	US\$ 7,962	N/A	US\$ 7,939		
-	US\$ 7,014	N/A	US\$ 6,924		
-	US\$ 4,936	N/A	US\$ 4,949		
-	US\$ 4,948	N/A	US\$ 4,944		
-	US\$ 2,454	N/A	US\$ 2,468		
-	US\$ 7,018	N/A	US\$ 7,004		
-	US\$ 4,996	N/A	US\$ 4,973		
-	US\$ 7,042	N/A	US\$ 6,985		
-	US\$ 6,098	N/A	US\$ 6,084		
-	US\$ 2,909	N/A	US\$ 2,907		
-	US\$ 13,953	N/A	US\$ 13,898		
-	US\$ 13,983	N/A	US\$ 13,946		
-	US\$ 13,981	N/A	US\$ 13,946		
-	US\$ 6,978	N/A	US\$ 6,928		
-	US\$ 3,388	N/A	US\$ 3,419		
-	US\$ 4,953	N/A	US\$ 4,941		
-	US\$ 9,997	N/A	US\$ 9,943		
-	US\$ 998	N/A	US\$ 993		
-	US\$ 4,933	N/A	US\$ 4,936		
-	US\$ 4,930	N/A	US\$ 4,938		
-	US\$ 4,847	N/A	US\$ 4,891		
-	US\$ 4,903	N/A	US\$ 4,943		
-	US\$ 5,270	N/A	US\$ 5,237		
-	US\$ 6,940	N/A	US\$ 6,937		
-	US\$ 6,903	N/A	US\$ 6,917		
-	US\$ 4,981	N/A	US\$ 4,953		
-	US\$ 6,997	N/A	US\$ 6,983		
-	US\$ 15,787	N/A	US\$ 15,798		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account
	Federal Natl Mtg Assn Mtn	-	Short-term investment
	Freddie Mac	-	Short-term investment
	Fed Hm Ln Pc Pool E89857	-	Short-term investment
	Fed Hm Ln Pc Pool G11295	-	Short-term investment
	Federal Home Ln Mtg Corp.	-	Short-term investment
	Federal Home Ln Mtg Corp.	-	Short-term investment
	Federal Home Ln Mtg Corp.	-	Short-term investment
	Federal Home Ln Mtg Corp.	-	Short-term investment
	Federal Natl Mtg Assn	-	Short-term investment
	Federal Natl Mtg Assn	-	Short-term investment
	Federal Natl Mtg Assn	-	Short-term investment
	Federal Natl Mtg Assn Gtd	-	Short-term investment
	FNMA Pool 685116	-	Short-term investment
	FNMA Pool 725095	-	Short-term investment
	FNMA Pool 790828	-	Short-term investment
	FNMA Pool 793932	-	Short-term investment
	FNMA Pool 794040	-	Short-term investment
	FNMA Pool 795548	-	Short-term investment
	FNMA Pool 806642	-	Short-term investment
	GNMA II Pool 081150	-	Short-term investment
	GNMA II Pool 081153	-	Short-term investment
	Government Natl Mtg Assn	-	Short-term investment
	<u>Corporate issued asset-backed securities</u>		
	Aegis Asset Backed Secs Tr	-	Short-term investment
	Aesop Fed II LLC	-	Short-term investment
	Aesop Fed II LLC	-	Short-term investment
	American Express Cr Account Ma	-	Short-term investment
	American Home Mtg Invt Tr	-	Short-term investment
	Americredit Automobile Receiv	-	Short-term investment
	Americredit Automobile Rec Tr	-	Short-term investment
	Americredit Automobile Rec Tr	-	Short-term investment
	Americredit Automobile Receivb	-	Short-term investment
	Atlantic City Elc Trns Fdg LLC	-	Short-term investment
	Banc Amer Coml Mtg Inc.	-	Short-term investment
	Banc Amer Mtg Secs Inc.	-	Short-term investment
	Bank of Amer Lease Equip Tr	-	Short-term investment
	Bear Stearns Alt A Tr	-	Short-term investment
	Bear Stearns Asset Backed Secs	-	Short-term investment
	BMW Veh Owner Tr	-	Short-term investment
	California Infr + Economic Dev	-	Short-term investment
	California Infr + Economic	-	Short-term investment
	California Infrastructure Dev	-	Short-term investment
	Capital Auto Receivables Asset	-	Short-term investment
	Capital One Auto Fin Tr	-	Short-term investment
	Capital One Auto Fin Tr	-	Short-term investment
	Capital One Auto Fin Tr	-	Short-term investment
	Capital One Multi Asset Execut	-	Short-term investment
	Caterpillar Finl Asset Tr	-	Short-term investment
	Centex Home Equity Ln Tr	-	Short-term investment
	Cit Equip Coll Tr	-	Short-term investment
	Citibank Cr Card Issuance Tr	-	Short-term investment
	Citicorp Mtg Secs	-	Short-term investment
	CNH Equip Tr	-	Short-term investment
	Comm 2004 Htl 1	-	Short-term investment
	Credit Suisse First Boston Mtg	-	Short-term investment
	CWABS Inc.	-	Short-term investment
	CWABS Inc.	-	Short-term investment

December 31, 2004					Note
Shares/Units (in thousand)	Carrying Value (US\$ in thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in thousand)		
-	US\$ 7,000	N/A	US\$ 6,976		
-	US\$ 4,929	N/A	US\$ 4,934		
-	US\$ 2,535	N/A	US\$ 2,531		
-	US\$ 2,277	N/A	US\$ 2,273		
-	US\$ 6,096	N/A	US\$ 6,075		
-	US\$ 4,435	N/A	US\$ 4,440		
-	US\$ 3,558	N/A	US\$ 3,539		
-	US\$ 3,645	N/A	US\$ 3,615		
-	US\$ 4,242	N/A	US\$ 4,188		
-	US\$ 2,141	N/A	US\$ 2,126		
-	US\$ 4,765	N/A	US\$ 4,719		
-	US\$ 3,486	N/A	US\$ 3,446		
-	US\$ 1,003	N/A	US\$ 1,002		
-	US\$ 2,008	N/A	US\$ 2,003		
-	US\$ 4,807	N/A	US\$ 4,773		
-	US\$ 994	N/A	US\$ 994		
-	US\$ 1,021	N/A	US\$ 1,020		
-	US\$ 977	N/A	US\$ 975		
-	US\$ 2,006	N/A	US\$ 2,004		
-	US\$ 999	N/A	US\$ 997		
-	US\$ 3,789	N/A	US\$ 3,766		
-	US\$ 1,734	N/A	US\$ 1,700		
-	US\$ 2,000	N/A	US\$ 2,004		
-	US\$ 4,955	N/A	US\$ 4,963		
-	US\$ 1,912	N/A	US\$ 1,888		
-	US\$ 3,445	N/A	US\$ 3,427		
-	US\$ 949	N/A	US\$ 949		
-	US\$ 2,002	N/A	US\$ 1,998		
-	US\$ 1,055	N/A	US\$ 1,048		
-	US\$ 2,000	N/A	US\$ 1,990		
-	US\$ 4,949	N/A	US\$ 4,912		
-	US\$ 926	N/A	US\$ 923		
-	US\$ 5,364	N/A	US\$ 5,315		
-	US\$ 4,030	N/A	US\$ 4,006		
-	US\$ 4,023	N/A	US\$ 3,995		
-	US\$ 1,478	N/A	US\$ 1,489		
-	US\$ 2,000	N/A	US\$ 2,000		
-	US\$ 4,978	N/A	US\$ 4,941		
-	US\$ 4,298	N/A	US\$ 4,230		
-	US\$ 6,126	N/A	US\$ 6,064		
-	US\$ 5,089	N/A	US\$ 5,035		
-	US\$ 4,018	N/A	US\$ 3,992		
-	US\$ 319	N/A	US\$ 318		
-	US\$ 1,147	N/A	US\$ 1,145		
-	US\$ 3,000	N/A	US\$ 2,989		
-	US\$ 4,957	N/A	US\$ 4,977		
-	US\$ 10,008	N/A	US\$ 9,923		
-	US\$ 3,500	N/A	US\$ 3,493		
-	US\$ 4,999	N/A	US\$ 4,991		
-	US\$ 4,959	N/A	US\$ 4,965		
-	US\$ 2,364	N/A	US\$ 2,363		
-	US\$ 5,000	N/A	US\$ 4,952		
-	US\$ 4,600	N/A	US\$ 4,607		
-	US\$ 4,209	N/A	US\$ 4,178		
-	US\$ 1,647	N/A	US\$ 1,662		
-	US\$ 1,903	N/A	US\$ 1,907		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account
	CWABS Inc.	-	Short-term investment
	CWABS Inc.	-	Short-term investment
	CWABS Inc.	-	Short-term investment
	CWABS Inc.	-	Short-term investment
	CWALT Inc.	-	Short-term investment
	CWABS Inc.	-	Short-term investment
	CWABS Inc.	-	Short-term investment
	Daimlerchrysler Auto Tr	-	Short-term investment
	Daimlerchrysler Auto Tr	-	Short-term investment
	Daimlerchrysler Auto Tr	-	Short-term investment
	Detroit Edison Securitization	-	Short-term investment
	Fifth Third Auto Tr	-	Short-term investment
	Finance Amer Mtg Ln Tr	-	Short-term investment
	First Franklin Mtg Ln Tr	-	Short-term investment
	First Horizon Abs Tr	-	Short-term investment
	First Union Lehman Bros Mtg Tr	-	Short-term investment
	First USA Credit Cr Master Tr	-	Short-term investment
	Ford Cr Auto Owner Tr	-	Short-term investment
	Granite Mtgs PLC	-	Short-term investment
	GS Auto Ln Tr	-	Short-term investment
	GS Mtg Secs Corp.	-	Short-term investment
	Harley Davidson Motorcycle Tr	-	Short-term investment
	Harley Davidson Motorcycle Tr	-	Short-term investment
	Holmes Fing No 8 PLC	-	Short-term investment
	Honda Auto Receivables	-	Short-term investment
	Household Automotive Tr	-	Short-term investment
	Hyundai Auto Receivables Tr	-	Short-term investment
	IMPAC Cmb Tr	-	Short-term investment
	IMPAC Cmb Tr	-	Short-term investment
	IMPAC Secd Assets Corp.	-	Short-term investment
	Long Beach Accep Auto Receivab	-	Short-term investment
	Merrill Lynch Mtg Invs Inc.	-	Short-term investment
	Merrill Lynch Mtg Invs Inc.	-	Short-term investment
	Monumentl Global Fdg II	-	Short-term investment
	National City Auto Receivables	-	Short-term investment
	Navistar finl 2003 A Owner Tr	-	Short-term investment
	Nissan Auto Receivables	-	Short-term investment
	Nissan Auto Receivables Own Tr	-	Short-term investment
	Nissan Auto Receivables Owner	-	Short-term investment
	ONYX Accep Owner Tr	-	Short-term investment
	ONYX Accep Owner Tr	-	Short-term investment
	Providian Gateway Owner Tr	-	Short-term investment
	Providian Gateway Owner Tr	-	Short-term investment
	Reliant Energy Transition Bd	-	Short-term investment
	Residential Asset Mtg Prods	-	Short-term investment
	Residential Asset Mtg Prods	-	Short-term investment
	Residential Fdg Mtg Secs I Inc.	-	Short-term investment
	Sequoia Mtg Tr	-	Short-term investment
	Sequoia Mtg Tr	-	Short-term investment
	Sequoia Mtg Tr	-	Short-term investment
	Sequoia Mtg Tr	-	Short-term investment
	Sequoia Mtg Tr	-	Short-term investment
	Structured Adj Rate Mtg Ln Tr	-	Short-term investment
	Structured Asset Secs Corp.	-	Short-term investment
	Thoornburg Mtg Secs Tr	-	Short-term investment
	Toyota Auto Receivables 2003B	-	Short-term investment
	Triad Auto Receivables Tr	-	Short-term investment
	TXU Elec Delivery Transition	-	Short-term investment

December 31, 2004					Note
Shares/Units (in thousand)	Carrying Value (US\$ in thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in thousand)		
-	US\$ 1,907	N/A	US\$ 1,912		
-	US\$ 2,000	N/A	US\$ 1,997		
-	US\$ 5,000	N/A	US\$ 5,055		
-	US\$ 3,500	N/A	US\$ 3,541		
-	US\$ 4,292	N/A	US\$ 4,277		
-	US\$ 2,317	N/A	US\$ 2,298		
-	US\$ 4,040	N/A	US\$ 4,040		
-	US\$ 4,991	N/A	US\$ 4,970		
-	US\$ 4,982	N/A	US\$ 4,970		
-	US\$ 4,897	N/A	US\$ 4,893		
-	US\$ 674	N/A	US\$ 671		
-	US\$ 3,000	N/A	US\$ 2,999		
-	US\$ 985	N/A	US\$ 986		
-	US\$ 2,002	N/A	US\$ 2,006		
-	US\$ 2,000	N/A	US\$ 2,000		
-	US\$ 3,567	N/A	US\$ 3,534		
-	US\$ 5,011	N/A	US\$ 5,008		
-	US\$ 10,999	N/A	US\$ 10,936		
-	US\$ 5,000	N/A	US\$ 5,000		
-	US\$ 2,948	N/A	US\$ 2,970		
-	US\$ 2,944	N/A	US\$ 2,944		
-	US\$ 3,417	N/A	US\$ 3,400		
-	US\$ 5,999	N/A	US\$ 5,938		
-	US\$ 5,001	N/A	US\$ 5,052		
-	US\$ 5,000	N/A	US\$ 4,991		
-	US\$ 513	N/A	US\$ 511		
-	US\$ 3,500	N/A	US\$ 3,468		
-	US\$ 1,414	N/A	US\$ 1,413		
-	US\$ 988	N/A	US\$ 988		
-	US\$ 3,570	N/A	US\$ 3,566		
-	US\$ 2,526	N/A	US\$ 2,502		
-	US\$ 1,460	N/A	US\$ 1,460		
-	US\$ 1,500	N/A	US\$ 1,502		
-	US\$ 1,000	N/A	US\$ 1,001		
-	US\$ 1,206	N/A	US\$ 1,207		
-	US\$ 4,928	N/A	US\$ 4,889		
-	US\$ 7,000	N/A	US\$ 6,958		
-	US\$ 4,999	N/A	US\$ 4,993		
-	US\$ 4,853	N/A	US\$ 4,872		
-	US\$ 963	N/A	US\$ 961		
-	US\$ 4,913	N/A	US\$ 4,933		
-	US\$ 4,204	N/A	US\$ 4,201		
-	US\$ 3,992	N/A	US\$ 3,982		
-	US\$ 5,185	N/A	US\$ 5,117		
-	US\$ 3,731	N/A	US\$ 3,672		
-	US\$ 3,000	N/A	US\$ 2,980		
-	US\$ 3,659	N/A	US\$ 3,631		
-	US\$ 2,504	N/A	US\$ 2,513		
-	US\$ 1,960	N/A	US\$ 1,955		
-	US\$ 1,488	N/A	US\$ 1,486		
-	US\$ 2,000	N/A	US\$ 2,000		
-	US\$ 3,500	N/A	US\$ 3,500		
-	US\$ 3,037	N/A	US\$ 3,031		
-	US\$ 1,403	N/A	US\$ 1,394		
-	US\$ 1,921	N/A	US\$ 1,923		
-	US\$ 4,970	N/A	US\$ 4,930		
-	US\$ 5,042	N/A	US\$ 4,997		
-	US\$ 7,736	N/A	US\$ 7,715		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account
	USAA Auto Owner Tr	-	Short-term investment
	Wachovia Auto Owner Tr	-	Short-term investment
	Wachovia Auto Owner Tr	-	Short-term investment
	WFS Financial Owner Trust	-	Short-term investment
	WFS Finl 2004 2 Owner Tr	-	Short-term investment
	WFS Finl 2004 4 Owner Tr	-	Short-term investment
	Whole Auto Ln Tr	-	Short-term investment
	Whole Auto Ln Tr	-	Short-term investment
	Whole Auto Ln Tr	-	Short-term investment
	World Omni Auto Receivables Tr	-	Short-term investment
	<u>Commercial papers</u>		Short-term investment
	<u>Corporate issued notes</u>		Short-term investment
	<u>Money market funds</u>		Short-term investment
	<u>Equity</u>		
	Horizon Venture Fund I, L.P.	-	Long-term investment
	Crimson Asia Capital Ltd., L.P.	-	Long-term investment
TSMC - North America	TSMC stock	Parent company	Short-term investment
Chi Cherng	TSMC stock	Parent company	Short-term investment
Hsin Ruey	TSMC stock	Parent company	Short-term investment
TSMC International	<u>Money market fund</u> BOA Fund	-	Short-term investment
	<u>Stock</u>		
	InveStar	Subsidiary	Long-term investment
	InveStar II	Subsidiary	Long-term investment
	TSMC Development	Subsidiary	Long-term investment
	TSMC Technology	Subsidiary	Long-term investment
	3DFX Interactive Inc.	-	Long-term investment
TSMC Development	WaferTech stock	Subsidiary	Long-term investment
InveStar	<u>Common stock</u>		
	RichTek Technology Corp.	-	Short-term investment
	Advanced Power Electronics Corp.	-	Short-term investment
	Broadtek Electronics Corp.	-	Short-term investment
	Monolithic Power Systems, Inc.	-	Short-term investment
	SIRF Technology Holdings, Inc.	-	Short-term investment
	Broadtek Electronics Corp.	-	Long-term investment
	Programmable Microelectronics (Taiwan), Corp.	-	Long-term investment
	Global Testing Corp.	-	Long-term investment
	RichTek Technology Corp.	-	Long-term investment
	Signia Technologies, Inc.	-	Long-term investment
	Incentia Design Systems, Inc.	-	Long-term investment
	Advanced Power Electronics Corp.	-	Long-term investment
	Capella Microsystems (Taiwan), Inc.	-	Long-term investment
	<u>Preferred stock</u>		
	Integrated Memory Logic, Inc.	-	Long-term investment
	Sensory, Inc.	-	Long-term investment

December 31, 2004					Note
Shares/Units (in thousand)	Carrying Value (US\$ in thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in thousand)		
-	US\$ 4,000	N/A	US\$ 3,991		
-	US\$ 6,000	N/A	US\$ 5,991		
-	US\$ 4,999	N/A	US\$ 4,995		
-	US\$ 5,008	N/A	US\$ 4,989		
-	US\$ 4,994	N/A	US\$ 4,992		
-	US\$ 5,399	N/A	US\$ 5,342		
-	US\$ 5,967	N/A	US\$ 5,966		
-	US\$ 4,000	N/A	US\$ 3,969		
-	US\$ 3,000	N/A	US\$ 2,964		
-	US\$ 5,963	N/A	US\$ 5,906		
-	US\$ 2,997	N/A	US\$ 2,997		
-	US\$ 1,999	N/A	US\$ 1,999		
-		N/A			
-	US\$ 21,114	N/A	US\$ 21,114		
-	246,485	N/A	246,485		
-	43,649	N/A	43,649		
14,151	677,110	-	696,661		
15,670	458,564	-	771,451		
15,700	459,512	-	772,897		
30,300	US\$ 30,300	N/A	US\$ 30,300		
24,320	US\$ 34,514	97	US\$ 34,514		
51,300	US\$ 34,534	97	US\$ 34,534		
1	US\$ 603,993	100	US\$ 603,993		
1	US\$ 5,544	100	US\$ 5,544		
68	-	-	-		
-	US\$ 484,060	99	US\$ 484,060		
682	US\$ 67	-	US\$ 1,370		
1,108	US\$ 502	-	US\$ 697		
869	US\$ 275	-	US\$ 225		
1,975	US\$ 1,567	-	US\$ 19,910		
90	US\$ 393	-	US\$ 1,157		
145	US\$ 46	-	US\$ 38		
575	US\$ 208	1	US\$ 208		
13,268	US\$ 5,670	9	US\$ 5,670		
842	US\$ 83	1	US\$ 1,692		
701	US\$ 202	3	US\$ 202		
365	US\$ 92	1	US\$ 92		
1,123	US\$ 508	2	US\$ 706		
530	US\$ 154	4	US\$ 154		
1,831	US\$ 1,221	12	US\$ 1,221		
1,404	US\$ 125	6	US\$ 125		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account
InveStar II	Sonics, Inc.	-	Long-term investment
	NanoAmp Solutions, Inc.	-	Long-term investment
	Memsic, Inc.	-	Long-term investment
	Reflectivity, Inc.	-	Long-term investment
	IP Unity	-	Long-term investment
	Tropian, Inc.	-	Long-term investment
	<u>Common stock</u>		
	RichTek Technology Corp.	-	Short-term investment
	Monolithic Power Systems, Inc.	-	Short-term investment
	eChannel Option Holding, Inc.	-	Long-term investment
	eCOS Microdisplay Technology, Ltd.	-	Long-term investment
	Signia Technologies, Inc.	-	Long-term investment
	Procoat Technology, Inc.	-	Long-term investment
	RichTek Technology Corp.	-	Long-term investment
	Programmable Microelectronics (Taiwan), Inc.	-	Long-term investment
	Auden Technology MFG. Co., Ltd.	-	Long-term investment
	GeoVision, Inc.	-	Long-term investment
	EoNex Technologies, Inc.	-	Long-term investment
	Conwise Technology Corporation, Ltd.	-	Long-term investment
	EON Technology, Corp.	-	Long-term investment
	Goyatek Technology, Corp.	-	Long-term investment
	Trendchip Technologies Corp.	-	Long-term investment
	Ralink Technology (Taiwan), Inc.	-	Long-term investment
	Silicon Data International Co., Inc.	-	Long-term investment
	Capella Microsystems(Taiwan), Inc.	-	Long-term investment
	<u>Preferred stock</u>		
	Memsic, Inc.	-	Long-term investment
eCOS Microdisplay Technology, Ltd.	-	Long-term investment	
NanoAmp Solutions, Inc.	-	Long-term investment	
Advanced Analogic Technology, Inc.	-	Long-term investment	
Sonics, Inc.	-	Long-term investment	
Reflectivity, Inc.	-	Long-term investment	
Tropian, Inc.	-	Long-term investment	
Kilopass Technologies, Inc.	-	Long-term investment	
FangTek, Inc.	-	Long-term investment	
Alchip Technologies Limited	-	Long-term investment	
Emerging Alliance	<u>Common stock</u>		
	Global Investment Holding, Inc.	-	Long-term investment
	RichWave Technology Corp.	-	Long-term investment
	NetLogic Microsystems, Inc.	-	Long-term investment
	<u>Preferred stock</u>		
	Quake Technologies, Inc.	-	Long-term investment
	Pixim, Inc.	-	Long-term investment
	Newport Opticom, Inc.	-	Long-term investment
	Ikanos Communication, Inc.	-	Long-term investment
	Quicksilver Technology, Inc.	-	Long-term investment
	Mosaic Systems, Inc.	-	Long-term investment
	Zenesis Technologies, Inc.	-	Long-term investment
	Reflectivity, Inc.	-	Long-term investment
	Teknovus, Inc.	-	Long-term investment
	Miradia, Inc. (Formerly XHP Microsystems, Inc.)	-	Long-term investment
	Axiom Microdevices, Inc.	-	Long-term investment
	Optichron, Inc.	-	Long-term investment
	Audience, Inc.	-	Long-term investment

December 31, 2004					Note
Shares/Units (in thousand)	Carrying Value (US\$ in thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in thousand)		
2,686	US\$ 3,530	4	US\$ 3,530		
541	US\$ 853	2	US\$ 853		
2,727	US\$ 1,500	10	US\$ 1,500		
1,064	US\$ 741	2	US\$ 741		
1,008	US\$ 494	2	US\$ 494		
1,758	US\$ 471	3	US\$ 471		
321	US\$ 184	-	US\$ 645		
864	US\$ 2,081	-	US\$ 8,716		
358	US\$ 251	4	US\$ 251		
270	US\$ 27	1	US\$ 27		
351	US\$ 101	1	US\$ 101		
5,123	US\$ 1,940	10	US\$ 1,940		
395	US\$ 226	1	US\$ 794		
177	US\$ 50	-	US\$ 50		
953	US\$ 738	4	US\$ 738		
471	US\$ 127	1	US\$ 127		
55	US\$ 3,048	5	US\$ 3,048		
2,800	US\$ 490	14	US\$ 490		
3,276	US\$ 1,175	8	US\$ 1,175		
2,088	US\$ 545	7	US\$ 545		
2,000	US\$ 861	5	US\$ 861		
1,833	US\$ 791	3	US\$ 791		
2,000	US\$ 204	3	US\$ 204		
419	US\$ 122	3	US\$ 122		
2,289	US\$ 1,560	8	US\$ 1,560		
2,667	US\$ 3,500	15	US\$ 3,500		
375	US\$ 1,500	1	US\$ 1,500		
948	US\$ 1,261	2	US\$ 1,261		
1,582	US\$ 3,082	5	US\$ 3,082		
4,255	US\$ 2,205	5	US\$ 2,205		
1,464	US\$ 393	2	US\$ 393		
3,887	US\$ 2,000	19	US\$ 2,000		
6,806	US\$ 3,250	34	US\$ 3,250		
2,579	US\$ 2,950	18	US\$ 2,950		
10,000	100,000	6	100,000		
2,600	US\$ 867	13	US\$ 867		
113	US\$ 1,388	1	US\$ 1,388		
601	US\$ 450	1	US\$ 450		
1,721	US\$ 2,382	3	US\$ 2,382		
962	US\$ 250	6	US\$ 250		
7,446	US\$ 3,125	3	US\$ 3,125		
1,049	US\$ -	4	US\$ -		
2,481	US\$ 12	6	US\$ 12		
1,204	US\$ 699	4	US\$ 699		
4,848	US\$ 2,479	4	US\$ 2,479		
5,556	US\$ 1,000	3	US\$ 1,000		
3,040	US\$ 1,000	4	US\$ 1,000		
1,000	US\$ 1,000	5	US\$ 1,000		
714	US\$ 1,000	6	US\$ 1,000		
1,654	US\$ 250	2	US\$ 250		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account
VTAF II	Next IO, Inc.	-	Long-term investment
	NuCORE Technology Inc.	-	Long-term investment
	Centrality Communications, Inc.	-	Long-term investment
	Layer N Networks, Inc.	-	Long-term investment
	<u>Common stock</u>		
	Yobon Technologies, Inc.	-	Long-term investment
	Sentelic, Corp.	-	Long-term investment
	Ivyon Technology, Inc.	-	Long-term investment
	<u>Preferred stock</u>		
	Powerprecise Solutions, Inc.	-	Long-term investment
GUC	Tzero Technologies, Inc.	-	Long-term investment
	Miradia, Inc.	-	Long-term investment
	Agelia Technologies, Inc.	-	Long-term investment
	Audience, Inc.	-	Long-term investment
	Axiom Microdevices, Inc.	-	Long-term investment
	Next IO, Inc.	-	Long-term investment
	<u>Bond funds</u>		
	Grand Cathay	-	Short-term investment
	TIIM	-	Short-term investment
	Polaris De Li	-	Short-term investment
	EnTrust Kirin	-	Short-term investment
	E. Sun New Era	-	Short-term investment
	Jih Sun	-	Short-term investment
	EnTrust Phoenix	-	Short-term investment
	Transcend Fortune	-	Short-term investment
	<u>Stock funds</u>		
	TIIM DaLi	-	Short-term investment
	UPAMC Global Select Fund of Funds	-	Short-term investment
Sheng Hua 9966 Balance	-	Short-term investment	
<u>Stock</u>			
Global Unichip Corporation - NA	Subsidiary	Long-term investment	

December 31, 2004					Note
Shares/Units (in thousand)	Carrying Value (US\$ in thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in thousand)		
800	US\$ 500	2	US\$ 500		
2,254	US\$ 1,455	2	US\$ 1,455		
809	US\$ 1,000	2	US\$ 1,000		
1,905	US\$ 1,000	2	US\$ 1,000		
1,675	US\$ 787	17	US\$ 787		
600	US\$ 1,022	15	US\$ 1,022		
200	US\$ 775	10	US\$ 775		
258	US\$ 250	3	US\$ 250		
244	US\$ 500	2	US\$ 500		
1,809	US\$ 1,600	2	US\$ 1,600		
1,149	US\$ 1,000	2	US\$ 1,000		
531	US\$ 102	1	US\$ 102		
686	US\$ 700	5	US\$ 700		
216	US\$ 182	-	US\$ 182		
3,608	45,543	N/A	45,544		
703	9,698	N/A	9,698		
1,550	22,800	N/A	22,800		
2,106	22,697	N/A	22,698		
1,920	20,313	N/A	20,314		
772	10,262	N/A	10,262		
2,081	30,563	N/A	30,564		
1,936	22,947	N/A	22,948		
296	5,000	N/A	4,474		
336	3,364	N/A	3,378		
300	3,000	N/A	3,011		
100	3,375	100	3,375		

TABLE 4

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND INVESTEEES
MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR
20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2004

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

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship
The Company	<u>Money market funds</u>			
	BOA Fund	Short-term investment	BOA	-
	GS Fund	Short-term investment	Goldman Sachs	-
	<u>Bond funds</u>			
	JF Taiwan Bond Fund	Short-term investment	JF Asset Management (Taiwan) Ltd.	-
	ABN AMRO Bond Fund	Short-term investment	ABN AMRO	-
	ABN AMRO Select Bond Fund	Short-term investment	ABN AMRO	-
	JF Taiwan First Bond Fund	Short-term investment	JF Asset Management (Taiwan) Ltd.	-
	INVESCO R.O.C Bond A Fund	Short-term investment	INVESCO Asset Management Taiwan	-
	Dresdner Bond DAM Fund	Short-term investment	Allianz Dresdner Securities Investment Consulting Co., Ltd.	-
	Barits Bond Fund	Short-term investment	Barits Securities Investment Trust Co., Ltd.	-
	Shin Kong Chi Shin Bond Fund	Short-term investment	Shinkong Investment Trust Co., Ltd.	-
	NITC Bond Fund	Short-term investment	National Investment Trust Co., Ltd.	-
	HSBC NTD Money Management Fund	Short-term investment	HSBC Asset Management (Taiwan) Ltd.	-
	<u>Bonds under repurchase agreement</u>	Short-term investment	Chung Shing Bills Finance Corp. and several financial institutions	-
	<u>Government bonds</u>			
	1994 Government Bond Series C	Short-term investment	Chung Shing Bills Finance Corp. and several financial institutions	-
	2002 Government Bond Series A	Short-term investment	BNP and several financial institutions	-
	2002 Government Bond Series E	Short-term investment	BNP and several financial institutions	-
	2002 Government Bond Series J	Short-term investment	BNP and several financial institutions	-
	2003 Government Bond Series A	Short-term investment	BNP and several financial institutions	-
	United States Treas NTS	Short-term investment	-	-
	2003 Government Bond Series I	Long-term investment	FCB and several financial institutions	-
	2004 Government Bond Series A	Long-term investment	China Bills Finance Corp. and several financial institutions	-
	2004 Government Bond Series E	Long-term investment	BNP and several financial institutions	-
	2004 Kaohsiung Municipal Bond Series A	Long-term investment	KGI Securities Co., Ltd. and several financial institutions	-
	<u>Corporate bonds</u>			
	Taiwan Power Company	Short-term investment	KGI Securities Co., Ltd.	-
	Allstate Finl Global Fdg LLC	Short-term investment	-	-
	American Express Co.	Short-term investment	-	-
	American Express Cr Corp. Mtn	Short-term investment	-	-
	American Gen Fin Corp. Mtn	Short-term investment	-	-
	American Gen Fin Corp. Mtn	Short-term investment	-	-
	American Honda Fin Corp. Mtn	Short-term investment	-	-
	American Honda Fin Corp. Mtn	Short-term investment	-	-
	American Honda Fin Corp. Mtn	Short-term investment	-	-
	American Intl Group Inc. Mtnf	Short-term investment	-	-
	Amgen Inc.	Short-term investment	-	-
	Bank New York Inc.	Short-term investment	-	-
	Bank One Corp.	Short-term investment	-	-
	Bear Stearns Cos Inc.	Short-term investment	-	-
	Bear Stearns Cos Inc.	Short-term investment	-	-
	Bear Stearns Cos Inc. Medium Te	Short-term investment	-	-
	Bristol Myers Squibb Co.	Short-term investment	-	-
	Brown Forman Corp.	Short-term investment	-	-
	Cardinal Health Inc.	Short-term investment	-	-
	Cit Group Hldgs Inc.	Short-term investment	-	-
Citigroup Inc.	Short-term investment	-	-	
Compaq Computer Corp.	Short-term investment	-	-	
Consolidated Edison Co. NY Inc.	Short-term investment	-	-	

Beginning Balance		Acquisition		Disposal				Ending Balance	
Shares/Units (in thousand)	Amount (US\$ in thousand)	Shares/Units (in thousand)	Amount (US\$ in thousand)	Shares/Units (in thousand)	Amount (US\$ in thousand)	Carrying Value (US\$ in thousand)	Gain (Loss) on Disposal (US\$ in thousand)	Shares/Units (in thousand)	Amount (US\$ in thousand) (Note 1)
40,000	\$ 1,359,120 (US\$ 40,000)	-	\$ -	40,000	\$ 1,359,120 (US\$ 40,000)	\$ 1,359,120 (US\$ 40,000)	\$ -	-	\$ -
20,000	679,560 (US\$ 20,000)	-	-	20,000	679,560 (US\$ 20,000)	679,560 (US\$ 20,000)	-	-	-
34,343	500,000	68,021	1,000,000	23,666	350,000	346,791	3,209	78,698	1,153,209
34,794	500,000	165,257	2,400,000	65,145	950,000	943,825	6,175	134,906	1,956,175
-	-	18,235	200,000	-	-	-	-	18,235	200,000
-	-	110,580	1,500,000	25,694	350,000	348,537	1,463	84,886	1,151,463
-	-	93,975	1,350,000	17,270	250,000	248,089	1,911	76,705	1,101,911
-	-	80,833	900,000	-	-	-	-	80,833	900,000
-	-	76,640	900,000	-	-	-	-	76,640	900,000
-	-	151,594	2,100,000	-	-	-	-	151,594	2,100,000
-	-	3,764	600,000	-	-	-	-	3,764	600,000
-	-	41,568	600,000	-	-	-	-	41,568	600,000
-	1,800,000	-	2,577,163	-	4,127,714	4,127,714	-	-	249,449
-	1,422,197	-	-	-	1,427,762	1,422,197	5,565	-	-
-	3,157,331	-	-	-	3,169,750	3,157,331	12,419	-	-
-	3,113,066	-	-	-	3,133,875	3,113,066	20,809	-	-
-	-	-	2,023,206	-	2,031,500	2,023,206	8,294	-	-
-	-	-	1,207,409	-	-	-	-	-	1,207,409
-	-	-	US\$ 699,398	-	US\$ 506,162	US\$ 507,041	US\$ (879)	-	US\$ 192,357
-	-	-	3,402,213	-	-	-	-	-	3,397,081
-	-	-	2,349,573	-	-	-	-	-	2,349,573
-	-	-	3,890,925	-	-	-	-	-	3,893,827
-	-	-	620,000	-	-	-	-	-	620,000
-	-	-	2,777,798	-	-	-	-	-	2,777,798
-	-	-	US\$ 3,171	-	-	-	-	-	US\$ 3,171
-	-	-	US\$ 3,550	-	-	-	-	-	US\$ 3,550
-	-	-	US\$ 3,503	-	US\$ 3,504	US\$ 3,503	US\$ 1	-	-
-	-	-	US\$ 3,130	-	-	-	-	-	US\$ 3,130
-	-	-	US\$ 3,702	-	-	-	-	-	US\$ 3,702
-	-	-	US\$ 3,509	-	US\$ 3,509	US\$ 3,509	-	-	-
-	-	-	US\$ 3,750	-	US\$ 3,755	US\$ 3,750	US\$ 5	-	-
-	-	-	US\$ 3,800	-	-	-	-	-	US\$ 3,800
-	-	-	US\$ 3,795	-	-	-	-	-	US\$ 3,795
-	-	-	US\$ 3,005	-	-	-	-	-	US\$ 3,005
-	-	-	US\$ 3,945	-	-	-	-	-	US\$ 3,945
-	-	-	US\$ 3,693	-	US\$ 3,695	US\$ 3,693	US\$ 2	-	-
-	-	-	US\$ 3,805	-	US\$ 3,816	US\$ 3,805	US\$ 11	-	-
-	-	-	US\$ 3,518	-	-	-	-	-	US\$ 3,518
-	-	-	US\$ 3,105	-	-	-	-	-	US\$ 3,105
-	-	-	US\$ 3,819	-	-	-	-	-	US\$ 3,819
-	-	-	US\$ 3,277	-	US\$ 3,280	US\$ 3,277	US\$ 3	-	-
-	-	-	US\$ 3,837	-	US\$ 3,795	US\$ 3,837	US\$ (42)	-	-
-	-	-	US\$ 3,203	-	-	-	-	-	US\$ 3,203
-	-	-	US\$ 3,583	-	-	-	-	-	US\$ 3,583
-	-	-	US\$ 3,719	-	-	-	-	-	US\$ 3,719
-	-	-	US\$ 3,687	-	-	-	-	-	US\$ 3,687

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship
	Countrywide Fdg Corp. Mtn	Short-term investment	-	-
	Countrywide Home Lns Inc.	Short-term investment	-	-
	Credit Suisse First Boston USA	Short-term investment	-	-
	Dell Computer Corp.	Short-term investment	-	-
	Diageo PLC	Short-term investment	-	-
	European Invnt Bk	Short-term investment	-	-
	Federal Home Ln Mtg Corp	Short-term investment	-	-
	Federal Home Loan Mtg Assn	Short-term investment	-	-
	First Data Corp.	Short-term investment	-	-
	General Elec Cap Corp. Mtn	Short-term investment	-	-
	General Elec Cap Corp. Mtn	Short-term investment	-	-
	General Elec Cap Corp. Mtn	Short-term investment	-	-
	Genworth Finl Inc.	Short-term investment	-	-
	Goldman Sachs Group Inc Mtn	Short-term investment	-	-
	Goldman Sachs Group LP	Short-term investment	-	-
	Hewlett Packard Co.	Short-term investment	-	-
	Honeywell Inc.	Short-term investment	-	-
	Household Fin Corp.	Short-term investment	-	-
	Household Fin Corp. Mtn Bk Ent	Short-term investment	-	-
	Huntington Natl Bk	Short-term investment	-	-
	ING Sec Life Ins Ingslf	Short-term investment	-	-
	Intl Bk For Recon + Dev	Short-term investment	-	-
	JP Morgan Chase + Co.	Short-term investment	-	-
	JP Morgan Chase + Co.	Short-term investment	-	-
	JP Morgan Chase + Co.	Short-term investment	-	-
	Keycorp Mtn Book Entry	Short-term investment	-	-
	KFW Intl Fin Inc.	Short-term investment	-	-
	Lehman Brothers Hldgs Inc.	Short-term investment	-	-
	Lehman Brothers Hldgs Inc.	Short-term investment	-	-
	Lilly Eli + Co.	Short-term investment	-	-
	Merrill Lynch + Co Inc.	Short-term investment	-	-
	Merrill Lynch + Co Inc.	Short-term investment	-	-
	Monumental Global Fdg II 2002A	Short-term investment	-	-
	Morgan Stanley Group Inc.	Short-term investment	-	-
	Morgan Stanley Group Inc.	Short-term investment	-	-
	Nationsbank Corp.	Short-term investment	-	-
	Nationwide Bldg Soc	Short-term investment	-	-
	Nationwide Life Global Mtn	Short-term investment	-	-
	Pepsico Inc. Mtn Book Entry	Short-term investment	-	-
	Popular North Amer Inc Mtn	Short-term investment	-	-
	Pricoa Global Fdg I Mtn	Short-term investment	-	-
	Pricoa Global Fdg I Mtn	Short-term investment	-	-
	Principal Life Global Fdg I GI	Short-term investment	-	-
	Salomon Smith Barney Hldgs Inc.	Short-term investment	-	-
	SBC Communications Inc.	Short-term investment	-	-
	Shell Finance (UK) PLC	Short-term investment	-	-
	TIAA Global Mkts Inc.	Short-term investment	-	-
	Unitedhealth Group Inc.	Short-term investment	-	-
	Viacom Inc.	Short-term investment	-	-
	Viacom Inc.	Short-term investment	-	-
	Wachovia Corp.	Short-term investment	-	-
	Walmart Cda Venture Corp.	Short-term investment	-	-
	Washington Mut Fin Corp.	Short-term investment	-	-
	Washington Mut Inc.	Short-term investment	-	-
	Washington Post Co.	Short-term investment	-	-
	Wells Fargo + Co. New	Short-term investment	-	-
	China Steel Corporation	Long-term investment	Chung Shing Bills Finance Corp.	-
	Taiwan Power Company	Long-term investment	BNP and several financial institutions	-
	Nan Ya Plastics Corporation	Long-term investment	Chung Shing Bills Finance Corp.	-
	Formosa Plastics Corporation	Long-term investment	Chung Shing Bills Finance Corp.	-
	Formosa Petrochemical Corporation	Long-term investment	Chung Shing Bills Finance Corp.	-
	<u>Agency bonds</u>			
	Federal Home Ln Mtg Corp.	Short-term investment	-	-
	Federal Home Ln Mtg Corp.	Short-term investment	-	-

Beginning Balance		Acquisition		Disposal				Ending Balance	
Shares/Units (in thousand)	Amount (US\$ in thousand)	Shares/Units (in thousand)	Amount (US\$ in thousand)	Shares/Units (in thousand)	Amount (US\$ in thousand)	Carrying Value (US\$ in thousand)	Gain (Loss) on Disposal (US\$ in thousand)	Shares/Units (in thousand)	Amount (US\$ in thousand) (Note 1)
-	\$ -	-	US\$ 3,534	-	US\$ 3,540	US\$ 3,534	US\$ 6	-	-
-	-	-	US\$ 5,210	-	-	-	-	-	US\$ 5,210
-	-	-	US\$ 3,177	-	US\$ 3,188	US\$ 3,177	US\$ 11	-	-
-	-	-	US\$ 3,054	-	-	-	-	-	US\$ 3,054
-	-	-	US\$ 3,459	-	-	-	-	-	US\$ 3,459
-	-	-	US\$ 8,315	-	-	-	-	-	US\$ 8,315
-	-	-	US\$ 4,237	-	-	-	-	-	US\$ 4,237
-	-	-	US\$ 4,847	-	-	-	-	-	US\$ 4,847
-	-	-	US\$ 3,013	-	-	-	-	-	US\$ 3,013
-	-	-	US\$ 3,507	-	US\$ 3,498	US\$ 3,507	US\$ (9)	-	-
-	-	-	US\$ 3,467	-	-	-	-	-	US\$ 3,467
-	-	-	US\$ 3,886	-	-	-	-	-	US\$ 3,886
-	-	-	US\$ 3,412	-	-	-	-	-	US\$ 3,412
-	-	-	US\$ 3,505	-	-	-	-	-	US\$ 3,505
-	-	-	US\$ 3,820	-	-	-	-	-	US\$ 3,820
-	-	-	US\$ 3,373	-	-	-	-	-	US\$ 3,373
-	-	-	US\$ 3,284	-	-	-	-	-	US\$ 3,284
-	-	-	US\$ 3,712	-	US\$ 3,633	US\$ 3,712	US\$ (79)	-	-
-	-	-	US\$ 3,542	-	-	-	-	-	US\$ 3,542
-	-	-	US\$ 3,003	-	-	-	-	-	US\$ 3,003
-	-	-	US\$ 3,012	-	-	-	-	-	US\$ 3,012
-	-	-	US\$ 5,232	-	-	-	-	-	US\$ 5,232
-	-	-	US\$ 3,638	-	US\$ 3,601	US\$ 3,638	US\$ (37)	-	-
-	-	-	US\$ 3,128	-	-	-	-	-	US\$ 3,128
-	-	-	US\$ 3,663	-	-	-	-	-	US\$ 3,663
-	-	-	US\$ 3,500	-	-	-	-	-	US\$ 3,500
-	-	-	US\$ 5,104	-	-	-	-	-	US\$ 5,104
-	-	-	US\$ 3,417	-	US\$ 3,381	US\$ 3,417	US\$ (36)	-	-
-	-	-	US\$ 3,705	-	-	-	-	-	US\$ 3,705
-	-	-	US\$ 3,750	-	-	-	-	-	US\$ 3,750
-	-	-	US\$ 3,497	-	US\$ 3,498	US\$ 3,497	US\$ 1	-	-
-	-	-	US\$ 3,486	-	-	-	-	-	US\$ 3,486
-	-	-	US\$ 3,129	-	-	-	-	-	US\$ 3,129
-	-	-	US\$ 5,741	-	-	-	-	-	US\$ 5,741
-	-	-	US\$ 4,763	-	US\$ 3,713	US\$ 3,713	-	-	US\$ 1,050
-	-	-	US\$ 3,644	-	-	-	-	-	US\$ 3,644
-	-	-	US\$ 3,457	-	-	-	-	-	US\$ 3,457
-	-	-	US\$ 3,413	-	-	-	-	-	US\$ 3,413
-	-	-	US\$ 3,818	-	-	-	-	-	US\$ 3,818
-	-	-	US\$ 3,042	-	-	-	-	-	US\$ 3,042
-	-	-	US\$ 3,507	-	-	-	-	-	US\$ 3,507
-	-	-	US\$ 3,050	-	-	-	-	-	US\$ 3,050
-	-	-	US\$ 3,168	-	-	-	-	-	US\$ 3,168
-	-	-	US\$ 3,160	-	-	-	-	-	US\$ 3,160
-	-	-	US\$ 3,681	-	-	-	-	-	US\$ 3,681
-	-	-	US\$ 3,604	-	-	-	-	-	US\$ 3,604
-	-	-	US\$ 3,631	-	US\$ 3,131	US\$ 3,112	US\$ 19	-	US\$ 519
-	-	-	US\$ 3,119	-	-	-	-	-	US\$ 3,119
-	-	-	US\$ 3,177	-	US\$ 3,135	US\$ 3,177	US\$ (42)	-	-
-	-	-	US\$ 3,172	-	US\$ 3,175	US\$ 3,172	US\$ 3	-	-
-	-	-	US\$ 3,720	-	-	-	-	-	US\$ 3,720
-	-	-	US\$ 3,670	-	-	-	-	-	US\$ 3,670
-	-	-	US\$ 4,768	-	-	-	-	-	US\$ 4,768
-	-	-	US\$ 4,735	-	-	-	-	-	US\$ 4,735
-	-	-	US\$ 3,182	-	-	-	-	-	US\$ 3,182
-	-	-	US\$ 3,697	-	-	-	-	-	US\$ 3,697
-	-	-	2,997,430	-	-	-	-	-	2,978,804
-	-	-	950,646	-	-	-	-	-	915,276
-	-	-	408,538	-	-	-	-	-	407,526
-	-	-	406,245	-	-	-	-	-	405,485
-	-	-	202,980	-	-	-	-	-	202,595
-	-	-	US\$ 6,096	-	-	-	-	-	US\$ 6,096
-	-	-	US\$ 4,725	-	-	-	-	-	US\$ 4,725

(Continued)

Beginning Balance		Acquisition		Disposal				Ending Balance	
Shares/Units (in thousand)	Amount (US\$ in thousand)	Shares/Units (in thousand)	Amount (US\$ in thousand)	Shares/Units (in thousand)	Amount (US\$ in thousand)	Carrying Value (US\$ in thousand)	Gain (Loss) on Disposal (US\$ in thousand)	Shares/Units (in thousand)	Amount (US\$ in thousand) (Note 1)
-	\$ -	-	US\$ 3,558	-	-	-	-	-	US\$ 3,558
-	-	-	US\$ 5,861	-	-	-	-	-	US\$ 5,861
-	-	-	US\$ 3,393	-	-	-	-	-	US\$ 3,393
-	-	-	US\$ 6,130	-	-	-	-	-	US\$ 6,130
-	-	-	US\$ 6,371	-	-	-	-	-	US\$ 6,371
-	-	-	US\$ 7,000	-	-	-	-	-	US\$ 7,000
-	-	-	US\$ 5,014	-	-	-	-	-	US\$ 5,014
-	-	-	US\$ 3,817	-	-	-	-	-	US\$ 3,817
-	-	-	US\$ 4,829	-	US\$ 4,829	US\$ 4,829	-	-	-
-	-	-	US\$ 4,473	-	-	-	-	-	US\$ 4,473
-	-	-	US\$ 3,466	-	-	-	-	-	US\$ 3,466
-	-	-	US\$ 5,210	-	US\$ 4,153	US\$ 4,168	US\$ (15)	-	US\$ 1,042
-	-	-	US\$ 4,927	-	-	-	-	-	US\$ 4,927
-	-	-	US\$ 14,938	-	US\$ 6,980	US\$ 6,976	US\$ 4	-	US\$ 7,962
-	-	-	US\$ 7,014	-	-	-	-	-	US\$ 7,014
-	-	-	US\$ 4,936	-	-	-	-	-	US\$ 4,936
-	-	-	US\$ 9,956	-	US\$ 9,967	US\$ 9,956	US\$ 11	-	-
-	-	-	US\$ 5,264	-	US\$ 5,286	US\$ 5,264	US\$ 22	-	-
-	-	-	US\$ 4,948	-	-	-	-	-	US\$ 4,948
-	-	-	US\$ 7,018	-	-	-	-	-	US\$ 7,018
-	-	-	US\$ 9,993	-	US\$ 5,000	US\$ 4,997	US\$ 3	-	US\$ 4,996
-	-	-	US\$ 7,042	-	-	-	-	-	US\$ 7,042
-	-	-	US\$ 6,098	-	-	-	-	-	US\$ 6,098
-	-	-	US\$ 13,953	-	-	-	-	-	US\$ 13,953
-	-	-	US\$ 13,983	-	-	-	-	-	US\$ 13,983
-	-	-	US\$ 13,981	-	-	-	-	-	US\$ 13,981
-	-	-	US\$ 6,978	-	-	-	-	-	US\$ 6,978
-	-	-	US\$ 3,388	-	-	-	-	-	US\$ 3,388
-	-	-	US\$ 4,907	-	US\$ 4,981	US\$ 4,907	US\$ 74	-	-
-	-	-	US\$ 4,953	-	-	-	-	-	US\$ 4,953
-	-	-	US\$ 9,997	-	-	-	-	-	US\$ 9,997
-	-	-	US\$ 9,971	-	US\$ 9,942	US\$ 9,971	US\$ (29)	-	-
-	-	-	US\$ 11,984	-	US\$ 10,965	US\$ 10,986	US\$ (21)	-	US\$ 998
-	-	-	US\$ 4,933	-	-	-	-	-	US\$ 4,933
-	-	-	US\$ 4,930	-	-	-	-	-	US\$ 4,930
-	-	-	US\$ 4,903	-	-	-	-	-	US\$ 4,903
-	-	-	US\$ 11,036	-	US\$ 10,997	US\$ 11,036	US\$ (39)	-	-
-	-	-	US\$ 10,496	-	US\$ 10,430	US\$ 10,496	US\$ (66)	-	-
-	-	-	US\$ 5,270	-	-	-	-	-	US\$ 5,270
-	-	-	US\$ 4,982	-	US\$ 4,983	US\$ 4,982	US\$ 1	-	-
-	-	-	US\$ 6,940	-	-	-	-	-	US\$ 6,940
-	-	-	US\$ 4,867	-	US\$ 4,938	US\$ 4,867	US\$ 71	-	-
-	-	-	US\$ 6,903	-	-	-	-	-	US\$ 6,903
-	-	-	US\$ 4,981	-	-	-	-	-	US\$ 4,981
-	-	-	US\$ 6,997	-	-	-	-	-	US\$ 6,997
-	-	-	US\$ 4,993	-	US\$ 4,993	US\$ 4,993	-	-	-
-	-	-	US\$ 5,000	-	-	-	-	-	US\$ 5,000
-	-	-	US\$ 15,787	-	-	-	-	-	US\$ 15,787
-	-	-	US\$ 4,929	-	-	-	-	-	US\$ 4,929
-	-	-	US\$ 16,000	-	US\$ 16,000	US\$ 16,000	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	US\$ 4,955	-	-	-	-	-	US\$ 4,955
-	-	-	US\$ 3,445	-	-	-	-	-	US\$ 3,445
-	-	-	US\$ 4,949	-	-	-	-	-	US\$ 4,949
-	-	-	US\$ 5,503	-	-	-	-	-	US\$ 5,503
-	-	-	US\$ 4,030	-	-	-	-	-	US\$ 4,030
-	-	-	US\$ 4,023	-	-	-	-	-	US\$ 4,023
-	-	-	US\$ 4,978	-	-	-	-	-	US\$ 4,978
-	-	-	US\$ 4,298	-	-	-	-	-	US\$ 4,298
-	-	-	US\$ 8,383	-	-	-	-	-	US\$ 8,383
-	-	-	US\$ 7,419	-	-	-	-	-	US\$ 7,419
-	-	-	US\$ 4,627	-	-	-	-	-	US\$ 4,627
-	-	-	US\$ 3,093	-	US\$ 3,072	US\$ 3,093	US\$ (21)	-	-
-	-	-	US\$ 4,957	-	-	-	-	-	US\$ 4,957

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship
	Capital One Secd Nt Tr	Short-term investment	-	-
	Caterpillar Finl Asset Tr	Short-term investment	-	-
	Centex Home Equity Ln Tr	Short-term investment	-	-
	Cit Equip Coll Tr	Short-term investment	-	-
	Citibank Cr Card Issuance Tr	Short-term investment	-	-
	CHN Equip Tr	Short-term investment	-	-
	Comm 2004 Htl 1	Short-term investment	-	-
	Credit Suisse First Boston Mtg	Short-term investment	-	-
	CWABS Inc.	Short-term investment	-	-
	CWABS Inc.	Short-term investment	-	-
	CWALT Inc.	Short-term investment	-	-
	CWMBS Inc.	Short-term investment	-	-
	CWMBS Inc.	Short-term investment	-	-
	Daimlerchrysler Auto Tr	Short-term investment	-	-
	Daimlerchrysler Auto Tr	Short-term investment	-	-
	Daimlerchrysler Auto Tr	Short-term investment	-	-
	First Union Lehman Bros Mtg Tr	Short-term investment	-	-
	First USA Credit Cr Master Tr	Short-term investment	-	-
	Ford Cr Auto Owner Tr	Short-term investment	-	-
	GE Cap Cr Card Master Nt Tr	Short-term investment	-	-
	Granite Mtgs PLC	Short-term investment	-	-
	GS Mtg Secs Corp.	Short-term investment	-	-
	Harley Davidson Motorcycle Tr	Short-term investment	-	-
	Harley Davidson Motorcycle Tr	Short-term investment	-	-
	Holmes Fing No 8 PLC	Short-term investment	-	-
	Honda Auto Receivables	Short-term investment	-	-
	Hyundai Auto Receivables Tr	Short-term investment	-	-
	Impac Secd Assets Corp.	Short-term investment	-	-
	Monumentl Global Fdg II	Short-term investment	-	-
	Navistar Finl 2003 A Owner Tr	Short-term investment	-	-
	Nissan Auto Receivables	Short-term investment	-	-
	Nissan Auto Receivables Owner Tr	Short-term investment	-	-
	Nissan Auto Receivables Owner	Short-term investment	-	-
	ONYX Accep Owner Tr	Short-term investment	-	-
	Permanent Fing No 1 PLC	Short-term investment	-	-
	Providian Gateway Owner Tr	Short-term investment	-	-
	Providian Gateway Owner Tr	Short-term investment	-	-
	Reliant Energy Transition Bd	Short-term investment	-	-
	Residential Asset Mtg Prods	Short-term investment	-	-
	Residential Fdg Mtg Secs I Inc	Short-term investment	-	-
	Sequoia Mtg Tr	Short-term investment	-	-
	Structured Adj Rate Mtg Ln Tr	Short-term investment	-	-
	Toyota Auto Receivables 2003 B	Short-term investment	-	-
	Triad Auto Receivables Tr	Short-term investment	-	-
	TXU Elec Delivery Transition	Short-term investment	-	-
	USAA Auto Owner Tr	Short-term investment	-	-
	Wachovia Auto Owner Tr	Short-term investment	-	-
	Wachovia Auto Owner Tr	Short-term investment	-	-
	WFS Financial Owner Trust	Short-term investment	-	-
	WFS Finl 2002 4 Owner Tr	Short-term investment	-	-
	WFS Finl 2004 2 Owner Tr	Short-term investment	-	-
	WFS Finl 2004 4 Owner Tr	Short-term investment	-	-
	Whole Auto Ln Tr	Short-term investment	-	-
	Whole Auto Ln Tr	Short-term investment	-	-
	World Omni Auto Receivables Tr	Short-term investment	-	-
	World Omni Auto Receivables Tr	Short-term investment	-	-
	<u>Money market funds</u>	Short-term investment	-	-
InveStar	<u>Common stock</u> RichTek Technology Corp.	Short-term investment	-	-
	Atheros Communication, Inc.	Short-term investment	-	-
	Monolithic Power Systems, Inc.	Short-term investment	-	-
InveStar II	<u>Common stock</u> RichTek Technology Corp.	Short-term investment	-	-

Note: The ending balance included the recognition of the investment income (loss) by the equity method, the cumulative translation adjustments and the bond premium or discount amortization amount.

Beginning Balance		Acquisition		Disposal				Ending Balance	
Shares/Units (in thousand)	Amount (US\$ in thousand)	Shares/Units (in thousand)	Amount (US\$ in thousand)	Shares/Units (in thousand)	Amount (US\$ in Thousand)	Carrying Value (US\$ in thousand)	Gain (Loss) on Disposal (US\$ in thousand)	Shares/Units (in thousand)	Amount (US\$ in thousand) (Note 1)
-	\$ -	-	US\$ 5,032	-	US\$ 5,000	US\$ 5,032	US\$ (32)	-	-
-	-	-	US\$ 10,008	-	-	-	-	-	US\$ 10,008
-	-	-	US\$ 3,500	-	-	-	-	-	US\$ 3,500
-	-	-	US\$ 4,999	-	-	-	-	-	US\$ 4,999
-	-	-	US\$ 4,959	-	-	-	-	-	US\$ 4,959
-	-	-	US\$ 5,000	-	-	-	-	-	US\$ 5,000
-	-	-	US\$ 4,600	-	-	-	-	-	US\$ 4,600
-	-	-	US\$ 5,000	-	-	-	-	-	US\$ 5,000
-	-	-	US\$ 5,000	-	-	-	-	-	US\$ 5,000
-	-	-	US\$ 3,500	-	-	-	-	-	US\$ 3,500
-	-	-	US\$ 4,718	-	-	-	-	-	US\$ 4,718
-	-	-	US\$ 3,129	-	-	-	-	-	US\$ 3,129
-	-	-	US\$ 4,040	-	-	-	-	-	US\$ 4,040
-	-	-	US\$ 4,991	-	-	-	-	-	US\$ 4,991
-	-	-	US\$ 4,982	-	-	-	-	-	US\$ 4,982
-	-	-	US\$ 4,897	-	-	-	-	-	US\$ 4,897
-	-	-	US\$ 4,177	-	-	-	-	-	US\$ 4,177
-	-	-	US\$ 5,011	-	-	-	-	-	US\$ 5,011
-	-	-	US\$ 10,999	-	-	-	-	-	US\$ 10,999
-	-	-	US\$ 4,000	-	US\$ 4,003	US\$ 4,000	US\$ 3	-	-
-	-	-	US\$ 5,000	-	-	-	-	-	US\$ 5,000
-	-	-	US\$ 4,000	-	-	-	-	-	US\$ 4,000
-	-	-	US\$ 4,000	-	-	-	-	-	US\$ 4,000
-	-	-	US\$ 5,999	-	-	-	-	-	US\$ 5,999
-	-	-	US\$ 5,001	-	-	-	-	-	US\$ 5,001
-	-	-	US\$ 5,000	-	-	-	-	-	US\$ 5,000
-	-	-	US\$ 3,500	-	-	-	-	-	US\$ 3,500
-	-	-	US\$ 4,000	-	-	-	-	-	US\$ 4,000
-	-	-	US\$ 3,500	-	-	-	-	-	US\$ 3,500
-	-	-	US\$ 4,928	-	-	-	-	-	US\$ 4,928
-	-	-	US\$ 7,000	-	-	-	-	-	US\$ 7,000
-	-	-	US\$ 4,999	-	-	-	-	-	US\$ 4,999
-	-	-	US\$ 4,853	-	-	-	-	-	US\$ 4,853
-	-	-	US\$ 4,913	-	-	-	-	-	US\$ 4,913
-	-	-	US\$ 5,102	-	US\$ 5,036	US\$ 5,102	US\$ (66)	-	-
-	-	-	US\$ 4,204	-	-	-	-	-	US\$ 4,204
-	-	-	US\$ 3,992	-	-	-	-	-	US\$ 3,992
-	-	-	US\$ 5,185	-	-	-	-	-	US\$ 5,185
-	-	-	US\$ 3,766	-	-	-	-	-	US\$ 3,766
-	-	-	US\$ 3,947	-	-	-	-	-	US\$ 3,947
-	-	-	US\$ 3,500	-	-	-	-	-	US\$ 3,500
-	-	-	US\$ 3,058	-	-	-	-	-	US\$ 3,058
-	-	-	US\$ 4,970	-	-	-	-	-	US\$ 4,970
-	-	-	US\$ 5,042	-	-	-	-	-	US\$ 5,042
-	-	-	US\$ 8,009	-	-	-	-	-	US\$ 8,009
-	-	-	US\$ 4,000	-	-	-	-	-	US\$ 4,000
-	-	-	US\$ 6,000	-	-	-	-	-	US\$ 6,000
-	-	-	US\$ 4,999	-	-	-	-	-	US\$ 4,999
-	-	-	US\$ 5,008	-	-	-	-	-	US\$ 5,008
-	-	-	US\$ 3,904	-	-	-	-	-	US\$ 3,904
-	-	-	US\$ 4,994	-	-	-	-	-	US\$ 4,994
-	-	-	US\$ 5,399	-	-	-	-	-	US\$ 5,399
-	-	-	US\$ 5,967	-	-	-	-	-	US\$ 5,967
-	-	-	US\$ 4,000	-	-	-	-	-	US\$ 4,000
-	-	-	US\$ 5,963	-	-	-	-	-	US\$ 5,963
-	-	-	US\$ 5,000	-	US\$ 4,986	US\$ 5,000	US\$ (14)	-	-
-	-	-	US\$ 21,114	-	-	-	-	-	US\$ 21,114
947	US\$ 121	-	-	1,595	US\$ 6,783	US\$ 184	US\$ 6,598	682	US\$ 67
1,205	US\$ 3,593	-	-	1,205	US\$ 8,972	US\$ 3,593	US\$ 5,379	-	-
2,521	US\$ 2,000	-	-	546	US\$ 4,318	US\$ 433	US\$ 3,885	1,975	US\$ 1,567
465	US\$ 346	-	-	768	US\$ 3,394	US\$ 519	US\$ 2,875	321	US\$ 184

TABLE 5

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND INVESTEEES
ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE
PAID-IN CAPITAL**

FOR THE YEAR ENDED DECEMBER 31, 2004

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

Company Name	Types of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party
The Company	Fab. 12	April 21, 2004	\$ 1,484,370	By the construction progress	IDC Taiwan, Inc., Taiwan Branch (U.S.A.)
	Fab. 12	April 21, 2004	420,168	By the construction progress	CHRIST AG
	Fab. 12	April 22, 2004	224,800	By the construction progress	Allis Electric Co., Ltd.
	Fab. 12	May 12, 2004	340,307	By the construction progress	United Industry gas Corp., Ltd.
	Fab. 12	May 12, 2004	116,181	By the construction progress	United Industry gas Corp., Ltd.
	Fab. 12	May 12, 2004	133,092	By the construction progress	BOC EDWARDS, CMS
	Fab. 12	June 17, 2004	165,208	By the construction progress	Organo Corporation
	Fab. 12	July 02, 2004	225,744	By the construction progress	Marketch International Corp.
	Fab. 12	July 08, 2004	100,767	By the construction progress	Kanto Chemical Co., Inc.
	Fab. 12	July 08, 2004	466,833	By the construction progress	United Integrated Services Co., Ltd.
	Fab. 14	August 03, 2004	300,000	By the construction progress	United Integrated Services Co., Ltd.
	Fab. 12	August 05, 2004	122,969	By the construction progress	Marketch International Corp.
	Fab. 12	August 05, 2004	185,984	By the construction progress	Marketch International Corp.
	Fab. 12	August 05, 2004	182,060	By the construction progress	Marketch International Corp.
	Fab. 12	October 15, 2004	105,299	By the construction progress	IDC Taiwan, Inc., Taiwan Branch (U.S.A.)

TABLE 6

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND INVESTEEES
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF
THE PAID-IN CAPITAL**

FOR THE YEAR ENDED DECEMBER 31, 2004

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

Company Name	Related Party	Nature of Relationship	Transaction Details	
			Purchase/Sale	Amount
The Company	TSMC - North America	Subsidiary	Sales	\$ 142,271,732
	Philips and its affiliates	Major shareholder	Sales	5,463,565
	GUC	Investee	Sales	371,546
	WaferTech	Subsidiary	Purchases	15,203,047
	VIS	Investee	Purchases	9,169,602
	SSMC	Investee	Purchases	5,869,123

Nature of Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
	Owner	Relationship	Transfer Date	Amount			
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None

Transaction Details		Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
55	Net 30 days after invoice date	None	None	\$ 15,526,964	47	
2	Net 30 days after monthly closing	None	None	581,487	2	
-	Net 30 days after monthly closing	None	None	56,436	-	
34	Net 30 days after monthly closing	None	None	(913,107)	9	
13	Net 30 days after monthly closing	None	None	(1,533,938)	16	
21	Net 30 days after monthly closing	None	None	(207,794)	2	

TABLE 7

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND INVESTEES
RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE
PAID-IN CAPITAL
DECEMBER 31, 2004**

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

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate
The Company	TSMC - North America TSMC - Shanghai Philips and its affiliates	Subsidiary Subsidiary Major shareholder	\$ 15,526,964 1,473,365 581,487	38 days (Note 1) 49 days

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

TABLE 8

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND INVESTEES
NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES
SIGNIFICANT INFLUENCE
DECEMBER 31, 2004**

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

Investor Company	Investee Company	Location	Main Businesses and Products
The Company	TSMC - North America	San Jose, California, U.S.A.	Sales and marketing of integrated circuits and semiconductor devices
	TSMC - Europe	Amsterdam, the Netherlands	Marketing activities
	TSMC - Japan	Yokohama, Japan	Marketing activities
	TSMC - Shanghai	Shanghai, China	Manufacturing and marketing of integrated circuits and semiconductor devices
	VIS	Hsin-Chu, Taiwan	Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts
	TSMC International	Tortola, British Virgin Islands	Providing investment in companies involved in the design, manufacture, and other related business in the semiconductor industry
	Chi Cherng	Taipei, Taiwan	Investment activities
	Hsin Ruey	Taipei, Taiwan	Investment activities
	TSMC Partners	Tortola, British Virgin Islands	Investment activities
	SSMC	Singapore	Fabrication and supply of integrated circuits
	Emerging Alliance	Cayman Islands	Investing in new start-up technology companies
	GUC	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits
	VisEra	Hsin-Chu, Taiwan	Manufacturing, material wholesaling and retailing of electronic spare parts
	VTAF II	Cayman Islands	Investing in new start-up technology companies

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

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

Overdue			Amounts Received in Subsequent Period	Allowance for Bad Debts
Amount	Action Taken			
\$	5,044,202 145,146 7,136	- Accelerate demand on account receivables -	\$ 6,013,414 - 13,726	\$ - - -

Original Investment Amount		Balance as of December 31, 2004			Net Income (Loss) of the Investee	Investment Gain (Loss)(Note 2)	Note
December 31, 2004	December 31, 2003	Shares (in thousand)	Percentage of Ownership	Carrying Value (Note 1)			
\$ 333,178	\$ 333,178	11,000	100	\$ 502,242	\$ 120,587	\$ 112,543	Subsidiary
15,749	15,749	-	100	25,439	262	262	Subsidiary
83,760	83,760	6	100	102,572	2,919	2,919	Subsidiary
9,187,962	1,890,952	-	100	8,113,511	(727,036)	(727,036)	Subsidiary
8,119,816	8,119,816	409,532	28	5,401,982	4,706,668	1,329,555	Investee
31,445,780	31,445,780	987,968	100	23,778,997	2,598,162	2,598,162	Subsidiary
300,000	300,000	-	36	50,570	21,359	(664)	Investee
300,000	300,000	-	36	49,823	21,887	(491)	Investee
10,350	10,350	300	100	3,908,356	43,117	43,117	Subsidiary
6,408,190	6,408,190	382	32	3,290,888	2,288,786	732,418	Investee
1,447,957	1,179,690	-	99	823,232	(97,767)	(97,278)	Subsidiary
409,920	409,920	39,040	47	391,626	30,424	23,279	Investee
51,000	51,000	5,100	25	59,116	35,540	8,885	Investee
332,412	-	-	98	329,968	18,373	14,648	Subsidiary

TABLE 9

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND INVESTEEES
INFORMATION OF INVESTMENT IN MAINLAND CHINA
DECEMBER 31, 2004

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (RMB in Thousand)	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2004 (US\$ in Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2004 (US\$ in Thousand)
					Outflow (US\$ in Thousand)	Inflow	
TSMC (Shanghai) Company Limited	Manufacturing and marketing of integrated circuits and semiconductor devices	\$ 9,187,962 (RMB 2,284,355)	(Note 1)	\$ 1,890,952 (US\$ 56,000)	\$ 7,297,010 (US\$ 220,000)	\$ -	\$ 9,187,962 (US\$ 276,000)

Percentage of Ownership in Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2004	Accumulated Inward Remittance of Earnings as of December 31, 2004	Accumulated Investment in Mainland China as of December 31, 2004 (US\$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand)	Upper Limit on Investment (US\$ in Thousand)
100%	\$ (727,036)	\$ 8,113,511	\$ -	\$ 9,187,962 (US\$ 276,000)	\$ 11,841,207 (US\$ 371,000)	\$ 11,841,207 (US\$ 371,000)

Note 1: Direct investment in TSMC (Shanghai) US\$276,000 thousand.

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

10. Consolidated Financial Statements and Independent Auditors' Report

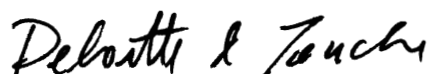
INDEPENDENT AUDITORS' REPORT

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 (the Company) as of December 31, 2004 and 2003, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Taiwan Semiconductor Manufacturing Company, Ltd. and subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and generally accepted accounting principles in the Republic of China.



January 13, 2005 (January 30, 2005 as to Note 22m)

Notice to Readers

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

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

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2004 AND 2003

(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2004		2003	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 2, 3 and 4)	\$ 74,302,351	15	\$ 102,988,896	26
Short-term investments, net (Notes 2 and 4)	54,107,951	11	13,611,536	3
Receivables from related parties (Note 20)	654,377	-	920,444	-
Notes receivable	2,942	-	9,893	-
Accounts receivable	31,211,481	7	28,495,269	7
Allowance for doubtful receivables (Note 2)	(982,843)	-	(1,020,398)	-
Allowance for sales returns and others (Note 2)	(3,342,450)	(1)	(2,135,843)	-
Other receivables from related parties (Note 20)	141,578	-	131,731	-
Other financial assets (Notes 2 and 23)	2,212,371	-	1,373,705	-
Inventories, net (Notes 2 and 5)	15,555,937	3	12,135,324	3
Deferred income tax assets, net (Notes 2 and 14)	8,917,986	2	8,398,205	2
Prepaid expenses and other current assets	1,667,401	-	1,632,908	-
Total current assets	184,449,082	37	166,541,670	41
LONG-TERM INVESTMENTS (Notes 2, 6, 18 and 23)				
Equity method	9,143,612	2	7,255,239	2
Cost method	3,266,330	1	3,492,775	1
Long-term bonds	15,170,167	3	-	-
Other investments	10,521,740	2	-	-
Total long-term investments	38,101,849	8	10,748,014	3
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 7, 10 and 20)				
Cost				
Land and land improvements	803,508	-	855,394	-
Buildings	97,882,699	19	79,778,533	20
Machinery and equipment	433,130,364	87	371,315,729	91
Office equipment	8,538,225	2	7,457,538	2
Leased assets	566,243	-	726,585	-
Total cost	540,921,039	108	460,133,779	113
Accumulated depreciation	(331,253,866)	(66)	(275,013,069)	(68)
Advance payments and construction in progress	49,244,153	10	26,733,553	7
Net property, plant and equipment	258,911,326	52	211,854,263	52
GOODWILL (Note 2)	7,115,510	1	8,720,917	2
OTHER ASSETS				
Deferred charges, net (Notes 2, 8 and 22)	8,992,452	2	7,992,016	2
Deferred income tax assets, net (Notes 2 and 14)	1,649,979	-	1,111,367	-
Refundable deposits (Note 20)	106,448	-	199,522	-
Others	127,445	-	232,762	-
Total other assets	10,876,324	2	9,535,667	2
TOTAL	\$ 499,454,091	100	\$ 407,400,531	100

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

LIABILITIES AND SHAREHOLDERS' EQUITY	2004		2003	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Short-term bank loans (Note 9)	\$ 383,004	-	\$ 407,736	-
Payables to related parties (Note 20)	2,217,815	1	3,248,289	1
Accounts payable	7,264,419	2	6,438,604	2
Payable to contractors and equipment suppliers	33,427,702	6	7,232,103	2
Accrued expenses and other current liabilities (Notes 2, 12 and 22)	10,126,368	2	8,094,191	2
Current portion of bonds payable (Note 11)	10,500,000	2	5,000,000	1
Total current liabilities	63,919,308	13	30,420,923	8
LONG-TERM LIABILITIES				
Long-term bank loans (Note 10)	1,915,020	-	8,800,302	2
Bonds payables (Note 11)	19,500,000	4	30,000,000	7
Other long-term payables (Note 12)	7,964,975	2	3,300,829	1
Other payables to related parties (Notes 20 and 22)	2,317,972	-	-	-
Liability under capital lease (Notes 2 and 7)	566,243	-	726,585	-
Total long-term liabilities	32,264,210	6	42,827,716	10
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 13)	3,101,707	1	2,601,450	1
Guarantee deposits (Note 22)	412,881	-	763,889	-
Others	714,949	-	1,483,245	-
Total other liabilities	4,229,537	1	4,848,584	1
MINORITY INTEREST IN SUBSIDIARIES (Note 2)	75,737	-	88,999	-
Total liabilities	100,488,792	20	78,186,222	19
SHAREHOLDERS' EQUITY (Notes 2 and 16)				
Capital stock - \$10 par value				
Authorized: 24,600,000 thousand shares				
Issued: 23,251,964 thousand shares in 2004 and 20,266,619 thousand shares in 2003	232,519,637	47	202,666,189	50
Capital surplus	56,537,259	11	56,855,885	14
Retained earnings:				
Appropriated as legal reserve	25,528,007	5	20,802,137	5
Appropriated as special reserve	-	-	68,945	-
Unappropriated earnings	88,202,009	18	50,229,008	12
Others:				
Unrealized loss on long-term investments (Note 2)	-	-	(35)	-
Cumulative translation adjustments (Note 2)	(2,226,427)	(1)	225,408	-
Treasury stock (at cost) - 45,521 thousand shares in 2004 and 40,597 thousand shares in 2003 (Notes 2 and 18)	(1,595,186)	-	(1,633,228)	-
Total shareholders' equity	398,965,299	80	329,214,309	81
TOTAL	\$ 499,454,091	100	\$ 407,400,531	100

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(In Thousands of New Taiwan Dollars, Except Consolidated Earnings Per Share)

	2004		2003	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 20)	\$ 261,947,351		\$ 207,279,137	
SALES RETURNS AND ALLOWANCES (Note 2)	<u>(4,734,733)</u>		<u>(4,282,325)</u>	
NET SALES (Note 24)	257,212,618	100	202,996,812	100
COST OF SALES (Notes 15 and 20)	<u>141,393,435</u>	<u>55</u>	<u>128,113,334</u>	<u>63</u>
GROSS PROFIT	<u>115,819,183</u>	<u>45</u>	<u>74,883,478</u>	<u>37</u>
OPERATING EXPENSES (Notes 15, 20 and 24)				
Research and development	12,516,434	5	12,712,695	6
General and administrative	11,454,374	4	8,199,965	4
Marketing	<u>3,366,701</u>	<u>1</u>	<u>2,670,237</u>	<u>2</u>
Total operating expenses	<u>27,337,509</u>	<u>10</u>	<u>23,582,897</u>	<u>12</u>
INCOME FROM OPERATIONS	<u>88,481,674</u>	<u>35</u>	<u>51,300,581</u>	<u>25</u>
NON-OPERATING INCOME AND GAINS (Note 24)				
Investment income recognized by equity method, net (Notes 2 and 6)	2,094,137	1	-	-
Interest (Notes 2 and 23)	1,858,359	1	888,107	1
Gain on sales of investments, net (Note 2)	914,541	-	3,538,081	2
Technical service income (Notes 20 and 22)	423,804	-	209,764	-
Gain on disposal of property, plant and equipment (Note 2)	242,785	-	438,809	-
Other (Note 20)	<u>556,598</u>	<u>-</u>	<u>594,551</u>	<u>-</u>
Total non-operating income and gains	<u>6,090,224</u>	<u>2</u>	<u>5,669,312</u>	<u>3</u>
NON-OPERATING EXPENSES AND LOSSES (Note 24)				
Interest (Notes 2, 7 and 23)	1,528,908	1	1,891,009	1
Foreign exchange loss, net (Notes 2 and 23)	382,164	-	755,100	1
Loss on impairment of long-term investments (Note 2)	350,608	-	652,718	-
Loss on disposal of property, plant and equipment (Note 2)	131,148	-	374,126	-
Unrealized valuation loss of short-term investments (Note 2)	75,212	-	-	-
Loss on impairment of property, plant and equipment and idle assets (Note 2)	-	-	1,506,199	1
Investment loss recognized by equity method, net (Notes 2 and 6)	-	-	294,244	-
Other	<u>138,271</u>	<u>-</u>	<u>317,852</u>	<u>-</u>
Total non-operating expenses and losses	<u>2,606,311</u>	<u>1</u>	<u>5,791,248</u>	<u>3</u>
INCOME BEFORE INCOME TAX AND MINORITY INTEREST (Note 24)	91,965,587	36	51,178,645	25
INCOME TAX BENEFIT (EXPENSE) (Notes 2 and 14)	<u>363,426</u>	<u>-</u>	<u>(3,922,957)</u>	<u>(2)</u>
INCOME BEFORE MINORITY INTEREST	92,329,013	36	47,255,688	23
MINORITY INTEREST IN LOSS (INCOME) OF SUBSIDIARIES (Notes 2 and 24)	<u>(12,898)</u>	<u>-</u>	<u>3,012</u>	<u>-</u>
CONSOLIDATED NET INCOME	<u>\$ 92,316,115</u>	<u>36</u>	<u>\$ 47,258,700</u>	<u>23</u>

(Continued)

	2004		2003	
	Income Before Income Tax and Minority Interest	Consolidated Net Income	Income Before Income Tax and Minority Interest	Consolidated Net Income
CONSOLIDATED EARNINGS PER SHARE (NT\$, Note 19)				
Basic earnings per share	\$ 3.96	\$ 3.97	\$ 2.19	\$ 2.02
Diluted earnings per share	<u>\$ 3.95</u>	<u>\$ 3.97</u>	<u>\$ 2.19</u>	<u>\$ 2.02</u>

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

(Concluded)

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(In Thousands of New Taiwan Dollars)

	Capital Stock Issued			
	Preferred Stock		Common Stock	
	Shares (in thousand)	Amount	Shares (in thousand)	Amount
BALANCE, JANUARY 1, 2003	1,300,000	\$ 13,000,000	18,622,887	\$ 186,228,867
Redemption and retirement of preferred stock	(1,300,000)	(13,000,000)	-	-
Appropriations of prior year's earnings				
Legal reserve	-	-	-	-
Special reserve	-	-	-	-
Bonus to employees - stock	-	-	153,901	1,539,013
Cash dividends paid for preferred stock	-	-	-	-
Stock dividends - 8%	-	-	1,489,831	14,898,309
Remuneration to directors and supervisors	-	-	-	-
Net income in 2003	-	-	-	-
Adjustment arising from changes in ownership percentage in investees	-	-	-	-
Reversal of unrealized loss on long-term investment of investees	-	-	-	-
Translation adjustments	-	-	-	-
Treasury stock - sales of parent company stock held by subsidiaries	-	-	-	-
BALANCE, DECEMBER 31, 2003	-	-	20,266,619	202,666,189
Appropriations of prior year's earnings				
Legal reserve	-	-	-	-
Reversal of special reserve	-	-	-	-
Bonus to employees - cash	-	-	-	-
Bonus to employees - stock	-	-	272,651	2,726,514
Cash dividends paid for preferred stock	-	-	-	-
Cash dividends - 6%	-	-	-	-
Stock dividends - 14%	-	-	2,837,327	28,373,267
Remuneration to directors and supervisors	-	-	-	-
Net income in 2004	-	-	-	-
Adjustment arising from changes in ownership percentage in investees	-	-	-	-
Reversal of unrealized loss on long-term investment of investees	-	-	-	-
Translation adjustments	-	-	-	-
Issuance of stock arising from exercising stock options	-	-	87	867
Cash dividends received by subsidiaries from parent company	-	-	-	-
Treasury stock - sales of the parent company stock held by subsidiaries	-	-	-	-
Treasury stock - repurchased by the Company	-	-	-	-
Retirement of treasury stock	-	-	(124,720)	(1,247,200)
BALANCE, DECEMBER 31, 2004	-	\$ -	23,251,964	\$ 232,519,637

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

	Retained Earnings				Unrealized Loss on Long-term Investments	Cumulative Translation Adjustments	Treasury Stock (Note 18)	Total Shareholders' Equity
	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings				
\$ 57,004,789	\$ 18,641,108	\$ -	\$ 22,151,089	\$ 40,792,197	\$ (194,283)	\$ 945,129	\$ (1,923,492)	\$ 295,853,207
-	-	-	-	-	-	-	-	(13,000,000)
-	2,161,029	-	(2,161,029)	-	-	-	-	-
-	-	68,945	(68,945)	-	-	-	-	-
-	-	-	(1,539,013)	(1,539,013)	-	-	-	-
-	-	-	(455,000)	(455,000)	-	-	-	(455,000)
-	-	-	(14,898,309)	(14,898,309)	-	-	-	-
-	-	-	(58,485)	(58,485)	-	-	-	(58,485)
-	-	-	47,258,700	47,258,700	-	-	-	47,258,700
(158,924)	-	-	-	-	-	-	-	(158,924)
-	-	-	-	-	194,248	-	-	194,248
-	-	-	-	-	-	(719,721)	-	(719,721)
10,020	-	-	-	-	-	-	290,264	300,284
56,855,885	20,802,137	68,945	50,229,008	71,100,090	(35)	225,408	(1,633,228)	329,214,309
-	4,725,870	-	(4,725,870)	-	-	-	-	-
-	-	(68,945)	68,945	-	-	-	-	-
-	-	-	(681,628)	(681,628)	-	-	-	(681,628)
-	-	-	(2,726,514)	(2,726,514)	-	-	-	-
-	-	-	(184,493)	(184,493)	-	-	-	(184,493)
-	-	-	(12,159,971)	(12,159,971)	-	-	-	(12,159,971)
-	-	-	(28,373,267)	(28,373,267)	-	-	-	-
-	-	-	(127,805)	(127,805)	-	-	-	(127,805)
-	-	-	92,316,115	92,316,115	-	-	-	92,316,115
34,059	-	-	-	-	-	-	-	34,059
-	-	-	-	-	35	-	-	35
-	-	-	-	-	-	(2,451,835)	-	(2,451,835)
2,757	-	-	-	-	-	-	-	3,624
22,781	-	-	-	-	-	-	-	22,781
1,864	-	-	-	-	-	-	38,042	39,906
-	-	-	-	-	-	-	(7,059,798)	(7,059,798)
(380,087)	-	-	(5,432,511)	(5,432,511)	-	-	7,059,798	-
<u>\$ 56,537,259</u>	<u>\$ 25,528,007</u>	<u>\$ -</u>	<u>\$ 88,202,009</u>	<u>\$ 113,730,016</u>	<u>\$ -</u>	<u>\$ (2,226,427)</u>	<u>\$ (1,595,186)</u>	<u>\$ 398,965,299</u>

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(In Thousands of New Taiwan Dollars)

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	\$ 92,316,115	\$ 47,258,700
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	69,818,457	69,161,317
Deferred income taxes	(1,058,393)	3,665,383
Investment loss (income) recognized by equity method, net	(2,094,137)	294,244
Amortization of premium/discount of long-term bond investments	28,673	-
Loss on impairment of property, plant and equipment, and idle assets	-	1,506,199
Loss on impairment of long-term investments	350,608	652,718
Gain on sales of long-term investments, net	(85,203)	(78,694)
Gain on disposal of property, plant and equipment, net	(111,637)	(64,683)
Accrued pension cost	500,257	389,890
Minority interest in income (loss) of subsidiaries	12,898	(3,012)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables from related parties	266,067	(544,764)
Notes receivable	6,951	50,347
Accounts receivable	(2,716,212)	(8,964,567)
Allowance for doubtful receivables	(37,555)	87,405
Allowance for sales returns and others	1,206,607	(236,672)
Inventories, net	(3,420,613)	(933,878)
Other receivables from related parties	(9,847)	(67,752)
Other financial assets	(777,100)	(347,161)
Prepaid expenses and other current assets	(34,493)	605,001
Increase (decrease) in:		
Payables to related parties	(1,499,968)	1,472,140
Accounts payable	825,815	1,300,012
Accrued expenses and other current liabilities	(336,385)	834,941
Net cash provided by operating activities	<u>153,150,905</u>	<u>116,037,114</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in short-term investments, net	(43,554,878)	(13,326,339)
Acquisitions of:		
Long-term investments	(23,054,379)	(1,412,335)
Property, plant and equipment	(81,094,557)	(37,870,907)
Proceeds from disposal of:		
Long-term investments	165,243	505,702
Property, plant, and equipment	1,812,633	177,312
Increase in deferred charges	(2,405,673)	(2,138,087)
Decrease in refundable deposits	93,074	357,744
Decrease in other assets	51,604	4,610
Decrease in minority interest in subsidiaries	(26,160)	(3,487)
Net cash used in investing activities	<u>(148,013,093)</u>	<u>(53,705,787)</u>

(Continued)

	2004	2003
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid for common stock	\$ (12,137,190)	\$ -
Repurchase of treasury stock	(7,059,798)	-
Repayments on:		
Long-term bank loans	(6,656,152)	(8,915,557)
Bonds payable	(5,000,000)	(4,000,000)
Short-term bank loans	-	(309,807)
Cash bonus paid to employees	(681,628)	-
Decrease in guarantee deposits	(351,008)	(631,177)
Cash dividends paid for preferred stock	(184,493)	(455,000)
Remuneration paid to directors and supervisors	(127,805)	(58,485)
Proceeds from:		
Disposal of treasury stock	39,906	300,284
Issuance of stock arising from exercising stock options	3,624	-
Redemption of preferred stock	-	(13,000,000)
	<u>(32,154,544)</u>	<u>(27,069,742)</u>
Net cash used in financing activities	<u>(32,154,544)</u>	<u>(27,069,742)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(27,016,732)	35,261,585
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(1,669,813)	(62,893)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>102,988,896</u>	<u>67,790,204</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 74,302,351</u>	<u>\$ 102,988,896</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid (excluding the amount capitalized of NT\$ 278,334 thousand and NT\$139,516 thousand in 2004 and 2003, respectively, Note 7)	<u>\$ 1,470,333</u>	<u>\$ 1,982,594</u>
Income tax paid	<u>\$ 389,189</u>	<u>\$ 218,954</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of bonds payable	<u>\$ 10,500,000</u>	<u>\$ 5,000,000</u>
Current portion of other payables to related parties (under payables to related parties)	<u>\$ 492,022</u>	<u>\$ -</u>
Current portion of other long-term payables (under accrued expenses and other current liabilities)	<u>\$ 1,505,345</u>	<u>\$ 1,591,972</u>
Reclassification of long-term investments to short-term investments	<u>\$ 343,950</u>	<u>\$ 140,984</u>
Reclassification of short-term investments to long-term investments	<u>\$ 3,402,413</u>	<u>\$ -</u>

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

(Concluded)

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

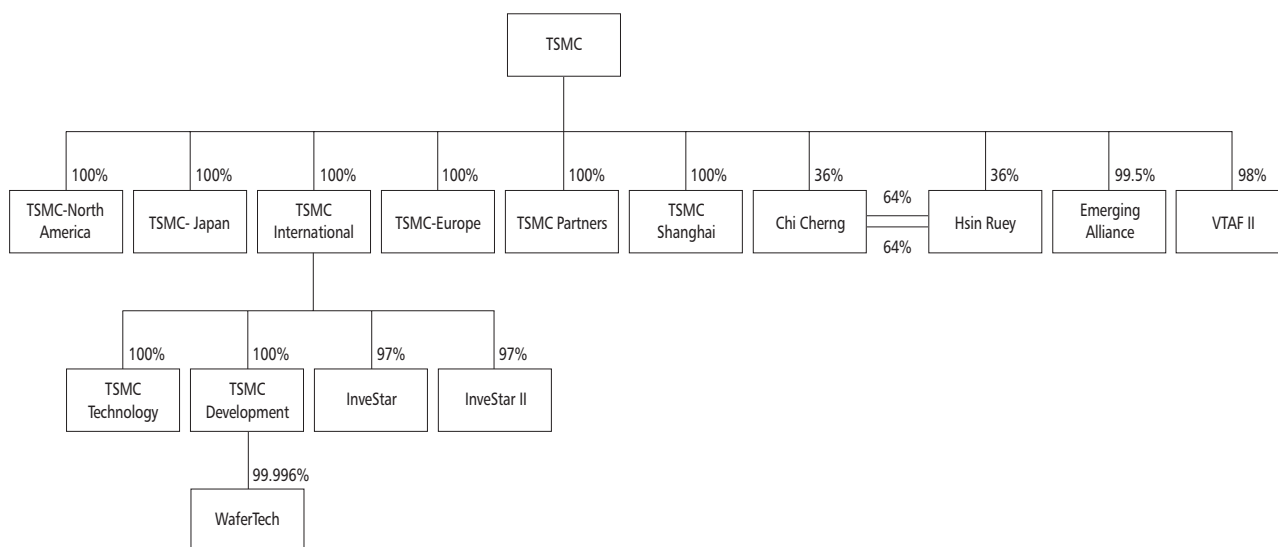
1. General

Taiwan Semiconductor Manufacturing Company, Ltd. (TSMC), a Republic of China (R.O.C.) corporation, was incorporated as a venture among the Government of the R.O.C., acting through the Development Fund of the Executive Yuan; Philips Electronics N.V. and certain of its affiliates (Philips); and certain other private investors. On September 5, 1994, its shares were listed on the Taiwan Stock Exchange (TSE). On October 8, 1997, TSMC listed some of its shares of stock on the New York Stock Exchange (NYSE) in the form of American Depositary Shares (ADSs).

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

TSMC has six direct wholly-owned subsidiaries: TSMC International Investment Ltd. (TSMC International), TSMC North America (TSMC - North America), Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC - Europe), TSMC Japan K. K. (TSMC - Japan), TSMC (Shanghai) Company Limited (TSMC - Shanghai) and TSMC Partners, Ltd. (TSMC Partners). In addition, TSMC has the following consolidating subsidiaries: a 99.5% owned subsidiary, Emerging Alliance Fund, L.P. (Emerging Alliance), a 98% owned subsidiary, VentureTech Alliance Fund II, L.P. (VTAF II), a newly established entity in 2004) and two 36% owned affiliates - Chi Cherng Investment Co., Ltd. (Chi Cherng, which is 36% owned by TSMC and 64% owned by Hsin Ruey Investment Co., Ltd.) and Hsin Ruey Investment Co., Ltd. (Hsin Ruey, which is 36% owned by TSMC and 64% owned by Chi Cherng). TSMC International has two wholly-owned subsidiaries - TSMC Development, Inc. (TSMC Development) and TSMC Technology, Inc. (TSMC Technology), and two 97% owned subsidiaries - InveStar Semiconductor Development Fund, Inc. (InveStar) and InveStar Semiconductor Development Fund, Inc. (II) LDC (InveStar II). TSMC Development has a 99.996% owned subsidiary, WaferTech, LLC (WaferTech).

The following diagram presents information regarding the relationship and ownership percentages among TSMC and its consolidated subsidiaries as of December 31, 2004:



TSMC - North America is engaged in the sales and marketing of integrated circuits and semiconductor devices. TSMC - Europe and TSMC - Japan are engaged mainly in marketing activities. TSMC Technology is engaged mainly in engineering support activities. TSMC - Shanghai is engaged in the manufacturing and marketing of integrated circuits and other semiconductor devices. TSMC Partners, TSMC Development, Chi Cherng and Hsin Ruey are engaged in investing activities. TSMC International is engaged in providing investment in companies involved in the design, manufacture, and other related business in the semiconductor industry. Emerging Alliance, VTAF II, InveStar and InveStar II are engaged in investing in new start-up technology companies. WaferTech is engaged in the manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices.

2. Significant Accounting Policies

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

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

Significant accounting policies are summarized as follows:

Consolidation

TSMC consolidates the accounts of all majority (directly and indirectly) owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

The consolidated financial statements include, as of and for the years ended December 31, 2004 and 2003, the accounts of TSMC, TSMC - North America, TSMC - Europe, TSMC - Japan, TSMC - Shanghai, TSMC Partners, Emerging Alliance, VTAF II, Chi Cherng, Hsin Ruey and TSMC International and its subsidiaries, InveStar, InveStar II, TSMC Development (including WaferTech) and TSMC Technology.

TSMC and the foregoing subsidiaries are hereinafter referred to collectively as the "Company".

Minority interests in WaferTech (0.004%), Emerging Alliance (0.5%), VTAF II (2%), InveStar (3%) and InveStar II (3%) are presented separately in the consolidated financial statements.

Use of Estimates

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

Classification of Current and Noncurrent Assets and Liabilities

Current assets are those expected to be converted to cash, sold or consumed within one year from the balance sheet date. Current liabilities are obligations due on demand within one year from the balance sheet date. Assets and liabilities that are not classified as current are noncurrent assets and liabilities, respectively.

Cash Equivalents

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

Short-term Investments

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

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

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

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

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

Allowance for Doubtful Receivables

An allowance for doubtful receivable is provided based on a review of the collectibility of accounts receivables. The Company determines the amount of allowance for doubtful accounts by examining the historical collection experience and current trends in the credit quality of its customers as well as its internal credit policies.

Revenue Recognition and Allowance for Sales Returns and Others

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

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

Inventories

Inventories are stated at the lower of cost or market value. Inventories are recorded at standard cost and adjusted to the approximate weighted-average cost at the end of the year. Market value represents net replacement cost for raw materials, supplies and spare parts. Market value represents net realizable value for finished goods and work in process. The Company assesses the impact of changing technology on its inventory on hand and writes off inventories that are considered obsolete. Ending inventories are evaluated for estimated excess quantities and obsolescence based on demand forecast within a specific time horizon, generally 180 days or less, and the estimated losses on scrap and slow-moving items are recognized in the allowance for losses.

Long-term Investments

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

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

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

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

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

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

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

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

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

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

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

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

Property, plant and equipment and assets leased to others are stated at cost less accumulated depreciation. When impairment is determined, the related assets are stated at the lower of fair value or book value. Idle assets are stated at the lower of net realizable value or book value. Significant additions, renewals and betterments incurred during the construction period are capitalized. Maintenance and repairs are expensed in the year incurred. Interest expense incurred for the project during the purchase and construction period is also capitalized. Properties covered by agreements qualifying as capital leases are carried at the lower of the leased equipment's market value or the present value of the minimum lease payments at the inception date of the lease.

Depreciation is computed using the straight-line method over the following estimated service lives: land improvements - 20 years; buildings - 10 to 20 years; machinery and equipment - 5 to 10 years; office equipment - 3 to 15 years; and leased assets - 20 years.

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

Goodwill

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

Deferred Charges

Deferred charges consist of technology license fees, software and system design costs and other charges. The amounts are amortized as follows: technology license fees - the shorter of the estimated life of the technology or the term of the technology transfer contract, software and system design costs and other charges - 3 or 5 years.

Pension Costs

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

Income Tax

The Company uses an inter-period tax allocation method for income tax. Deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused tax credits, and net operating loss carryforwards. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or non-current in accordance with the classification of its related asset or liability. However, if a deferred tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

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

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

Income taxes on unappropriated earnings (excluding earnings from foreign consolidating subsidiaries) of 10% are expensed in the year of shareholder approval which is the year subsequent to the year the earnings are generated.

Stock-based Compensation

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

Treasury Stock

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

Foreign-Currency Transactions

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

Derivative Financial Instruments

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

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

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

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

Translation of Foreign-currency Financial Statements

ROC SFAS No. 14, "Accounting for Foreign-Currency Transactions," applies to foreign subsidiaries that use the local foreign currency as their functional currency. The financial statements of foreign subsidiaries are translated into New Taiwan dollars at the following exchange rates: Assets and liabilities - current rate on balance sheet date; shareholders' equity - historical rate; income and expenses - average rate during the year. The resulting translation adjustment is recorded as a separate component of shareholders' equity.

Reclassifications

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

3. Cash and Cash Equivalents

	2004	2003
Cash and bank deposits	\$ 54,608,985	\$ 97,041,537
Government bonds acquired under repurchase agreements	19,215,153	5,947,359
Corporate issued notes	<u>478,213</u>	<u>-</u>
	<u>\$ 74,302,351</u>	<u>\$ 102,988,896</u>

4. Short-Term Investments

	2004	2003
Corporate bonds	\$ 13,554,598	\$ -
Corporate issued asset-backed securities	11,766,877	-
Bond funds	10,662,758	1,000,000
Agency bonds	8,633,889	-
Government bonds	7,346,858	7,692,595
Money market funds	1,640,973	3,068,213
Government bonds acquired under repurchase agreements	249,449	1,800,000
Listed stocks	168,299	50,728
Commercial papers	95,666	-
Corporate issued notes	<u>63,796</u>	<u>-</u>
	54,183,163	13,611,536
Allowance for valuation losses	<u>(75,212)</u>	<u>-</u>
	<u>\$ 54,107,951</u>	<u>\$ 13,611,536</u>
Market value	<u>\$ 54,990,545</u>	<u>\$ 14,054,511</u>

The Company entered into investment management agreements with three well-known financial institutions (fund managers) to manage investment portfolios for the Company. In accordance with the investment guidelines and terms in these agreements, the securities invested by the fund managers cannot be below a pre-defined credit rating. As of December 31, 2004, the Company had investment portfolios with these fund managers that aggregated to an original amount of US\$1,200,000 thousand. The investment portfolios included securities such as corporate bonds, asset-backed securities, agency bonds, government bonds and others. Securities acquired with maturities less than three months from the date of purchase were reclassified as cash equivalents.

5. Inventories, Net

	2004	2003
Finished goods	\$ 3,526,036	\$ 2,881,499
Work in process	11,437,466	9,100,199
Raw materials	993,151	465,745
Supplies and spare parts	<u>1,176,735</u>	<u>1,052,075</u>
	17,133,388	13,499,518
Allowance for losses	<u>(1,577,451)</u>	<u>(1,364,194)</u>
	<u>\$ 15,555,937</u>	<u>\$ 12,135,324</u>

6. Long-Term Investments

	2004		2003	
	Carrying Amount	% of Owner-ship	Carrying Amount	% of Owner-ship
Equity method				
Vanguard International Semiconductor Corporation (VIS)	\$ 5,401,982	28	\$ 4,077,198	28
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	3,290,888	32	2,759,376	32
Global UniChip Corporation (GUC)	391,626	47	368,434	47
VisEra Technologies Company Ltd. (VisEra)	59,116	25	50,231	25
	<u>9,143,612</u>		<u>7,255,239</u>	
Cost method				
Common stocks				
Publicly traded stocks	71,832	-	26,728	-
Non-publicly traded stocks	1,226,499	-	1,156,769	-
Preferred stocks	1,677,865	-	2,038,662	-
Funds	290,134	-	270,616	-
	<u>3,266,330</u>		<u>3,492,775</u>	
Long-term bonds				
Government bonds	10,260,481	-	-	-
Corporate bonds				
China Steel Corporation	2,978,804	-	-	-
Taiwan Power Company	915,276	-	-	-
Nan Ya Plastics Corporation	407,526	-	-	-
Formosa Plastics Corporation	405,485	-	-	-
Formosa Petrochemical Corporation	202,595	-	-	-
	<u>15,170,167</u>		<u>-</u>	
Other investments	10,521,740	-	-	-
	<u>\$ 38,101,849</u>		<u>\$ 10,748,014</u>	

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

For the years ended December 31, 2004 and 2003, net investment income and loss recognized from the equity method investees was NT\$2,094,137 thousand and NT\$294,244 thousand, respectively. The carrying amounts of investments accounted for under the equity method and the related investment income or losses were determined based on the audited financial statements of the investees as of and for the same periods as the Company.

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

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

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

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

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

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

7. Property, Plant and Equipment

Accumulated depreciation consisted of the following:

	2004	2003
Land improvements	\$ 172,484	\$ 154,062
Buildings	38,160,322	31,665,779
Machinery and equipment	287,204,368	238,392,296
Office equipment	5,683,577	4,800,932
Leased assets	33,115	-
	<u>\$ 331,253,866</u>	<u>\$ 275,013,069</u>

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

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

Interest expense for the years ended December 31, 2004 and 2003 was NT\$1,807,242 thousand and NT\$2,030,525 thousand, respectively (before deducting capitalized amounts of NT\$278,334 thousand in 2004 and NT\$139,516 thousand in 2003, respectively). The interest rates used for purposes of calculating the capitalized amounts were 1.89% to 2.89% and 1.77% to 5.283% in 2004 and 2003, respectively.

The Company entered into agreements to lease certain buildings that qualify as capital leases. The term of the lease is from December 2003 to December 2013.

8. Deferred Charges, Net

	2004	2003
Technology license fees	\$ 6,534,899	\$ 5,084,684
Software and system design costs	2,213,636	2,719,199
Other	<u>243,917</u>	<u>188,133</u>
	<u>\$ 8,992,452</u>	<u>\$ 7,992,016</u>

9. Short-Term Bank Loans

	2004	2003
Unsecured loan in U.S. dollars: US\$12,000 thousand, repayable by June 2006, annual interest at 2.80% and 1.52% in 2004 and 2003, respectively	<u>\$ 383,004</u>	<u>\$ 407,736</u>

10. Long-Term Bank Loans

	2004	2003
Unsecured loan: US\$60,000 thousand, repayable by December 2006, annual interest at 2.475% and 1.56% in 2004 and 2003, respectively	\$ 1,915,020	\$ 2,038,680
Secured loan: US\$199,000 thousand; annual interest at 1.8275% in 2003	<u>-</u>	<u>6,761,622</u>
	<u>\$ 1,915,020</u>	<u>\$ 8,800,302</u>

As of December 31, 2004, all the assets of WaferTech with a carrying amount of approximately NT\$15,955,936 thousand (US\$499,920 thousand) were pledged for the secured loan. WaferTech is required to maintain compliance with certain financial covenants defined in the agreement. As of December 31, 2004, WaferTech was in compliance with all such financial covenants. Under the unsecured loan agreement, the Company is required maintain compliance with certain financial covenants which, if violated, could result in payment of the obligation prior to the originally scheduled payment date. The Company was in compliance with the financial covenants as of December 31, 2004.

11. Bonds Payable

	2004	2003
Domestic unsecured bonds: Issued in December 2000 and repayable in December 2005 and 2007 in two equal payments, 5.25% and 5.36% interest payable annually, respectively	\$ 15,000,000	\$ 15,000,000
Issued in January 2002 and repayable in January 2007, 2009 and 2012 in three equal payments, 2.6%, 2.75% and 3.00% interest payable annually, respectively	15,000,000	15,000,000
Issued in October 1999 and repayable in October 2004, 5.95% interest payable annually	<u>-</u>	<u>5,000,000</u>
	<u>\$ 30,000,000</u>	<u>\$ 35,000,000</u>

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

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

12. Other Long-Term Payables

	2004	2003
Payables for acquisition of property, plant and equipment (Note 22k)	\$ 6,030,007	\$ -
Payables for royalties	<u>3,440,313</u>	<u>4,892,801</u>
	9,470,320	4,892,801
Less - current portion	<u>1,505,345</u>	<u>1,591,972</u>
	<u>\$ 7,964,975</u>	<u>\$ 3,300,829</u>

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

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

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

13. Pension Plan

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

Information on the pension plan is summarized as follows:

a. Components of net periodic pension cost

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

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

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

c. Actuarial assumptions

	2004	2003
Discount rate used in determining present values	3.25%	3.25%
Future salary increase rate	3.00%	3.00%
Expected rate of return on plan assets	3.25%	3.25%

d. Contributions to the Fund

	2004	2003
	<u>\$ 226,339</u>	<u>\$ 181,106</u>

e. Payments from the Fund

	2004	2003
	\$ <u>1,446</u>	\$ <u>3,490</u>

14. Income Tax

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

	2004	2003
Income tax based on income before income tax and minority interest at the statutory rate	\$ (24,685,380)	\$ (12,881,547)
Tax-exempt income	14,712,500	5,255,750
Temporary and permanent differences	<u>186,719</u>	<u>732,681</u>
Current income tax on income before income tax credits	\$ <u>(9,786,161)</u>	\$ <u>(6,893,116)</u>

b. Income tax benefit (expense) consists of:

	2004	2003
Current income tax on income before income tax credits	\$ (9,786,161)	\$ (6,893,116)
Additional 10% income tax on unappropriated earnings	(823,932)	(1,273,482)
Income tax credits	10,470,862	7,917,070
Other income tax	(555,588)	(7,988)
Net change in deferred income tax assets and liabilities		
Net operating loss carryforwards	(1,652,983)	535,725
Investment tax credits	234,690	(917,759)
Temporary differences	1,131,331	(300,848)
Net change in valuation allowance of deferred income tax assets	1,345,355	(2,982,501)
Adjustment of prior years' taxes	<u>(148)</u>	<u>(58)</u>
Income tax benefit (expense)	\$ <u>363,426</u>	\$ <u>(3,922,957)</u>

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

	2004	2003
Current		
Investment tax credits	\$ 8,849,000	\$ 8,322,000
Temporary differences	319,717	385,221
Valuation allowance	<u>(250,731)</u>	<u>(309,016)</u>
	\$ <u>8,917,986</u>	\$ <u>8,398,205</u>
Noncurrent		
Net operating loss carryforwards	\$ 6,735,080	\$ 8,388,063
Investment tax credits	17,035,584	17,327,894
Temporary differences	(7,760,152)	(8,956,987)
Valuation allowance	<u>(14,360,533)</u>	<u>(15,647,603)</u>
	\$ <u>1,649,979</u>	\$ <u>1,111,367</u>

d. Integrated income tax information:

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

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

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

e. TSMC's earnings generated prior to December 31, 1997 have been appropriated.

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

Regulation	Items	Total Creditable Amounts	Remaining Creditable Amounts	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 4,448,442	\$ -	2004
		3,819,937	116,189	2005
		4,886,439	4,886,439	2006
		4,140,462	4,140,462	2007
		<u>6,309,182</u>	<u>6,309,182</u>	2008
		<u>\$ 23,604,462</u>	<u>\$ 15,452,272</u>	
Statute for Upgrading Industries	Research and development expenditures	\$ 2,270,013	\$ -	2004
		3,147,071	3,147,071	2005
		3,342,952	3,342,952	2006
		1,976,913	1,976,913	2007
		<u>1,843,800</u>	<u>1,843,800</u>	2008
		<u>\$ 12,580,749</u>	<u>\$ 10,310,736</u>	
Statute for Upgrading Industries	Personnel training	\$ 48,659	\$ -	2004
		29,448	29,448	2005
		27,312	27,312	2006
		<u>26,780</u>	<u>26,780</u>	2007
				<u>\$ 132,199</u>
Statute for Upgrading Industries	Investments in important technology-based enterprises	<u>\$ 38,036</u>	<u>\$ 38,036</u>	2005

g. As of December 31, 2004, the net operating loss carryforwards were generated from WaferTech, TSMC Development and TSMC Technology and will expire at various dates through 2024.

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

	Tax-Exemption Period
Construction of Fab 6	2001 to 2004
Construction of Fab 8 - module B	2002 to 2005
Expansion of Fab 2 - modules A and B, Fab 3, Fab 4, Fab 5 and Fab 6	2003 to 2006
Construction of Fab 12	2004 to 2007

- i. The tax authorities have examined income tax returns of TSMC through 2000. However, TSMC is contesting the assessment of the tax authority for 1992 and 1998. TSMC believes that any additional assessment will not have a material adverse effect on TSMC.

15. Labor Cost, Depreciation and Amortization Expenses

	Year Ended December 31, 2004			Year Ended December 31, 2003		
	Classified as Cost of Sales	Classified as Operating Expenses	Total	Classified as Cost of Sales	Classified as Operating Expenses	Total
Labor cost						
Salary	\$ 10,719,632	\$ 5,886,769	\$ 16,606,401	\$ 9,014,068	\$ 4,647,912	\$ 13,661,980
Labor and health insurance	572,210	320,785	892,995	476,687	245,357	722,044
Pension	472,329	271,186	743,515	379,845	193,718	573,563
Other	430,777	531,876	962,653	339,500	304,398	643,898
	<u>\$ 12,194,948</u>	<u>\$ 7,010,616</u>	<u>\$ 19,205,564</u>	<u>\$ 10,210,100</u>	<u>\$ 5,391,385</u>	<u>\$ 15,601,485</u>
Depreciation	<u>\$ 61,703,792</u>	<u>\$ 2,563,408</u>	<u>\$ 64,267,200</u>	<u>\$ 61,988,138</u>	<u>\$ 2,398,768</u>	<u>\$ 64,386,906</u>
Amortization	<u>\$ 2,496,827</u>	<u>\$ 3,052,160</u>	<u>\$ 5,548,987</u>	<u>\$ 1,385,594</u>	<u>\$ 3,367,462</u>	<u>\$ 4,753,056</u>

16. Shareholders' Equity

Common Stock, Capital Surplus and Earnings

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

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

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

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

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

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

Dividends may be distributed by way of cash dividend or stock dividend at the discretion of TSMC. As the operation of TSMC is at a steady growth stage, distribution of profits shall be made preferably by way of cash dividend. Distribution of profits may also be made by way of stock dividend; provided however, the ratio for stock dividend shall not exceed 50% of total distribution.

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

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

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

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

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

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

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

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

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

Preferred Stock

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

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

Preferred shareholders

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

17. Stock-Based Compensation Plans

Stock Option Plans

TSMC's Employee Stock Option Plans, the 2003 Plan and the 2002 Plan, were approved on October 29, 2003 and June 25, 2002, respectively. The maximum number of units authorized to be granted under 2003 Plan and the 2002 Plan is 120,000 thousand and 100,000 thousand, respectively, with each unit representing one common share of stock. The option rights may be granted to qualified employees

of TSMC or any of its domestic or foreign subsidiaries, in which TSMC's shareholding with voting rights, directly or indirectly, is more than fifty percent (50%). The option rights of both plans are valid for ten years and exercisable at certain percentages subsequent to the second anniversary of the grant date. Under the terms of the plans, stock option rights are granted at an exercise price equal to the closing price of TSMC's common shares listed on the TSE on the date of grant. Under the 2003 Plan and the 2002 Plan, units that were never granted, or had been granted and subsequently cancelled were expired as of December 31, 2004.

On November 2, 2004, the board of directors of TSMC approved the 2004 Plan, in which the maximum number of units authorized to be granted is 11,000 thousand, with each unit representing one common share of stock. The option rights may be granted to qualified employees of TSMC or any of its domestic or foreign subsidiaries, in which TSMC's shareholding with voting rights, directly or indirectly, is more than fifty percent (50%). The option rights of the plans are valid for ten years and exercisable at certain percentages subsequent to the second anniversary of the grant date. Under the terms of the plan, stock option rights are granted at an exercise price equal to the closing price of TSMC's common shares listed on the TSE on the date of grant. The 2004 plan was approved by Bureau of Monetary Affairs, Financial Supervisory Commission of the R.O.C. on January 6, 2005.

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

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

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

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

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

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

Method:	Black-Scholes Model
Assumptions:	
Expected dividend yield	1.00%
Expected volatility	43.77%-46.15%
Risk free interest rate	3.07%-3.85%
Expected life	5 years
Net income:	
Net income as reported	\$ 92,316,115
Pro forma net income	92,257,355
	NT\$
Earnings per share (EPS) - after income tax:	
Basic EPS as reported	3.97
Pro forma basic EPS	3.97
Diluted EPS as reported	3.97
Pro forma diluted EPS	3.97

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

In 1996, WaferTech adopted an Executive Incentive Plan, which was amended in 1997. According to the 1997 amendment, the Board of Directors of WaferTech approved the Senior Executive Incentive Plan and the Employee Incentive Plan (the WaferTech Plans) under which officers, key employees and non-employee directors may be granted stock option rights. The WaferTech Plans provide for 15,150 thousand option rights available for grant. For option rights granted to date, the option purchase price was equal to or exceeded the fair market value at the date of grant. The options will expire if not exercised at specified dates ranging from May 2006 and June 2011. In December 2000, WaferTech implemented a Stock Option Buyback Program (Buyback). The Buyback program provides employees with the right to sell back to WaferTech all vested stock options and outstanding ownership interests granted under the WaferTech Plans. As of December 31, 2004, the outstanding and exercisable stock options were 134 thousand and 133 thousand, respectively, and US\$616 thousand was accrued in connection with the Buyback program.

Stock Appreciation Rights

In December 2000, WaferTech and TSMC - North America implemented a stock appreciation rights program (Appreciation). The Appreciation plan is designed to provide employees with a long-term incentive plan that tracks the appreciation of TSMC common stock through Stock Appreciation Rights (SARs). SARs provide each participant the right to receive, upon exercise, an amount in cash from WaferTech and TSMC - North America that is the excess of the market price of TSMC common stock on TSE on the date of exercise over the exercise price. As of December 31, 2004, WaferTech and TSMC - North America accrued US\$381 thousand and US\$1,360 thousand, respectively, in connection with the Appreciation. During 2002, benefits under the Appreciation plan for TSMC - North America were replaced by the stock option plans aforementioned.

18. Treasury Stock (Common Stock)

(Shares in thousand)

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

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

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

19. Consolidated Earnings Per Share (EPS)

EPS is computed as follows:

	Amounts (Numerator)		Number of Shares (Denominator) (in thousand)	EPS (NT\$)	
	Income Before Income Tax and Minority Interest	Consolidated Net Income		Income Before Income Tax and Minority Interest	Consolidated Net Income
<u>Year ended December 31, 2004</u>					
Basic EPS					
Income available to common shareholders	\$ 91,965,587	\$ 92,316,115	23,248,682	\$ 3.96	\$ 3.97
Effect of diluted securities - stock options	-	-	6,404		
Diluted EPS					
Income available to common shareholders (including effect of diluted potential common stock)	\$ 91,965,587	\$ 92,316,115	23,255,086	\$ 3.95	\$ 3.97

(Continued)

	Amounts (Numerator)		Number of Shares (Denominator) (in thousand)	EPS (NT\$)	
	Income Before Income Tax and Minority Interest	Consolidated Net Income		Income Before Income Tax and Minority Interest	Consolidated Net Income
<u>Year ended December 31, 2003</u>					
Net income	\$ 51,178,645	\$ 47,258,700			
Less - preferred stock dividends	(184,493)	(184,493)			
Basic EPS					
Income available to common shareholders	50,994,152	47,074,207	23,327,354	\$ 2.19	\$ 2.02
Effect of diluted potential common stock - stock options	-	-	9,599		
Diluted EPS					
Income available to common shareholders (including effect of diluted potential common stock)	\$ 50,994,152	\$ 47,074,207	23,336,953	\$ 2.19	\$ 2.02

(Concluded)

20. Related Party Transactions

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

a. Industrial Technology Research Institute (ITRI), the Chairman of TSMC is one of its directors

b. Philips, a major shareholder of TSMC

c. Investees of the TSMC

VIS

SSMC

GUC

VisEra

	2004		2003	
	Amount	%	Amount	%
<u>For the years</u>				
Sales				
Philips and its affiliates	\$ 5,463,565	2	\$ 3,577,054	2
Others	458,999	-	610,534	-
	<u>\$ 5,922,564</u>	<u>2</u>	<u>\$ 4,187,588</u>	<u>2</u>
Purchase				
VIS	\$ 9,169,602	21	\$ 4,910,810	15
SSMC	5,869,123	13	5,519,805	17
	<u>\$ 15,038,725</u>	<u>34</u>	<u>\$ 10,430,615</u>	<u>32</u>

(Continued)

	2004		2003	
	Amount	%	Amount	%
Manufacturing expenses - technical assistance fee (Note 22a) Philips	\$ 907,047	1	\$ 3,023,741	3
General and administrative expenses - rental expenses GUC	\$ 13,186	2	\$ -	-
Research and development expenses GUC	\$ 11,688	-	\$ -	-
Proceeds from disposal of property, plant and equipment VIS	\$ 33,974	2	\$ 15,125	9
Non-operating income and gains				
SSMC (primarily technical service income, see Note 22e)	\$ 364,505	6	\$ 201,869	4
VIS (primarily technical service income, see Note 22j)	117,760	2	251	-
VisEra	28,917	-	-	-
	<u>\$ 511,182</u>	<u>8</u>	<u>\$ 202,120</u>	<u>4</u>
At December 31				
Receivables				
Philips and its affiliates	\$ 581,487	89	\$ 895,063	97
Others	72,890	11	25,381	3
	<u>\$ 654,377</u>	<u>100</u>	<u>\$ 920,444</u>	<u>100</u>
Other receivables				
SSMC	\$ 63,701	45	\$ 13,228	10
VIS	47,599	34	118,503	90
VisEra	30,278	21	-	-
	<u>\$ 141,578</u>	<u>100</u>	<u>\$ 131,731</u>	<u>100</u>
Payables				
VIS	\$ 1,533,938	69	\$ 1,034,074	32
Philips and its affiliates	469,494	21	1,579,568	49
SSMC	207,794	10	634,647	19
GUC	6,589	-	-	-
	<u>\$ 2,217,815</u>	<u>100</u>	<u>\$ 3,248,289</u>	<u>100</u>
Other long-term payables Philips and its affiliates	\$ 2,317,972	100	\$ -	-
Refundable deposits VIS	\$ -	-	\$ 150,840	76

(Concluded)

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

21. Significant Long-Term Operating Leases

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

TSMC - North America leases its office premises and certain equipment under non-cancelable operating agreements. TSMC - Europe and TSMC - Japan entered into lease agreements for their office premises. The leases will expire between 2005 and 2010. The agreements can be renewed upon their expiration.

As of December 31, 2004, future remaining lease payments are as follows:

Year	Amount
2005	\$ 354,259
2006	352,988
2007	340,748
2008	325,563
2009	322,534
2010 and thereafter	<u>1,513,025</u>
	<u>\$ 3,209,117</u>

22. Significant Commitments and Contingencies

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

- a. On June 20, 2004, TSMC and Philips revised the Technical Cooperation Agreement, which was originally signed on May 12, 1997, with an effective date from January 1, 2004 for five years. Upon expiration, this amended Technical Cooperation Agreement will be terminated at the expiration date and will not be automatically renewed. Under this amended Technical Cooperation Agreement, TSMC will pay Philips royalties based on fixed amounts mutually agreed-on, rather than under certain percentage of TSMC's annual net sales. TSMC and Philips also agree to cross license the patents owned by each party. TSMC also obtained through Philips a number of patent cross licenses.
- b. Under a technical cooperation agreement with ITRI, TSMC shall reserve and allocate up to 35% of certain of its production capacity for use by the Ministry of Economic Affairs (MOEA) or any other party designated by the MOEA.
- c. Under several foundry agreements, TSMC shall reserve a portion of its production capacity for certain major customers that have guarantee deposits with TSMC. As of December 31, 2004, TSMC had a total of US\$12,802 thousand of guarantee deposits.
- d. Under a Shareholders Agreement entered into with Philips and EDB Investments Pte Ltd. on March 30, 1999, the parties formed a joint venture company, SSMC, for the purpose of constructing an integrated circuit foundry in Singapore. As of December 31, 2004, TSMC's equity interest in SSMC was 32%. TSMC and Philips committed to buy specific percentages of the production capacity of SSMC. If any party defaults on the commitment and the capacity utilization of SSMC falls below a specific percentage of its total capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs.

- e. TSMC provides technical services to SSMC under a Technical Cooperation Agreement (the Agreement) entered into on May 12, 1999. TSMC receives compensation for such services computed at a specific percentage of net selling price of certain products sold by SSMC. The Agreement shall remain in force for ten years and may be automatically renewed for successive periods of five years each unless pre-terminated by either party under certain conditions.
- f. Under a Technology Transfer Agreement (TTA) with National Semiconductor Corporation (National) entered into on June 27, 2000, TSMC shall receive payments for the licensing of certain technology to National. The agreement was to remain in force for ten years and could be automatically renewed for successive periods of two years thereafter unless either party gives notice for early termination under certain conditions. In January 2003, TSMC and National entered into a Termination Agreement whereby the TTA was terminated for convenience. Under the Termination Agreement, TSMC will be relieved of any further obligation to transfer any additional technology. In addition, TSMC granted National an option to request the transfer of certain technologies under the same terms and conditions as the terminated TTA. The option will expire in January 2008.
- g. Beginning in 2001, TSMC entered into several licensing arrangements for certain semiconductor patents. The terms of the contracts range from five to ten years with payments to be made in the form of royalties over the term of the related contracts. TSMC has recorded the related amounts as a liability with the corresponding amounts recorded as deferred charges which are amortized and charged to cost of sales on a straight-line basis over the estimated life of the technology or the term of the contract, whichever is shorter.
- h. In November 2002, TSMC entered into an Amended and Restated Joint Technology Cooperation Agreement with Philips, Motorola, Inc. and STMicroelectronics to jointly develop 90-nm to 65-nm advanced CMOS Logic and e-DRAM technologies. TSMC also agreed to align 0.12 micron CMOS Logic technology to enhance its foundry business opportunities. TSMC will contribute process technologies and share a portion of the costs associated with this joint development project.
- i. In December 2003, TSMC entered into a Technology Development and License Agreement with Motorola, Inc. to jointly develop 65-nm SOI (silicon on insulator) technology. TSMC will also license related 90-nm SOI technology from Motorola, Inc. Any intellectual properties arising out of the co-development project shall be jointly owned by the parties. In accordance with the agreement, TSMC will pay royalties to Motorola, Inc. and will share a portion of the costs associated with the joint development project.
- j. TSMC provides a technology transfer to VIS under a Manufacturing License and Technology Transfer Agreement entered into in August 2004. TSMC receives compensation for such technology transfer in the form of royalty payments from VIS computed at specific percentages of net selling price of certain products sold by VIS. VIS agreed to reserve its certain capacity to manufacture for TSMC certain products at prior as agreed by the parties.
- k. Under an agreement signed with a certain company, TSMC - Shanghai has the obligation to purchase certain assets within a specified period at the price agreed upon by both parties. TSMC - Shanghai will compensate the other party in case of a breach of the agreement.

- l. Amounts available under unused letters of credit as of December 31, 2004 were NT\$6,480 thousand, US\$1,282 thousand and SG\$85 thousand. Among the unused letters of credit, TSMC - North America has an outstanding irrevocable standby letter of credit for US\$1,078 thousand. The standby letter of credit was entered into as security to the landlord of TSMC - North America's office spaces in San Jose, California. The standby letter of credit will expire in October, 2005.
- m. The Company filed a series of lawsuits in late 2003 and 2004 in both state and federal courts in California and with the U.S. International Trade Commission against Semiconductor Manufacturing International Corporation ("SMIC"), SMIC (Shanghai), and SMIC Americas. The lawsuits alleged that SMIC companies infringed multiple patents of the Company and misappropriated the Company's trade secrets. These suits have been settled out of court on January 30, 2005. As part of the agreement, SMIC will pay TSMC US\$175 million over six years to resolve the Company's patent infringement and trade secret claims.

23. Additional Disclosures

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

- a. Financing provided: Please see Table 1 attached;
- b. Endorsement/guarantee provided: Please see Table 2 attached;
- c. Marketable securities held: Please see Table 3 attached;
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;
- e. Acquisition of individual real estate properties at costs of at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;
- f. Disposal of individual real estate properties at prices of at least NT\$100 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the capital: Please see Table 6 attached;
- h. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 7 attached;
- i. Names, locations, and related information of investees of which the Company exercises significant influence: Please see Table 8 attached;

j. Financial instrument transactions:

1) Derivative financial instruments

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

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

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

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

b) Cross currency swaps

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

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

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

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

c) Interest rate swaps

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

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

d) Option contracts

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

There were no outstanding option contracts as of December 31, 2003. The Company entered into foreign currency option contracts for hedging purposes; therefore, the related premiums and the foreign exchange gain or loss are recognized in the "foreign exchange loss, net" account.

e) Transaction risk

i) Credit risk. Credit risk represents the positive net settlement amount of those contracts with positive fair values at the balance sheet date. The positive net settlement amount represents the loss incurred by the Company if the counter-parties breached the contracts. The banks, which are the counter-parties to the foregoing derivative financial instruments, are reputable financial institutions. Management believes its exposure related to the potential default by those counter-parties is low.

ii) Market price risk. All derivative financial instruments are intended as hedges for fluctuations in foreign exchange rates and interest rates. Gains or losses from these hedging instruments are likely to be offset by gains or losses from the hedged items. Interest rate risks are also controlled as the expected cost of capital is fixed. Thus, market price risks are believed to be low.

iii) Cash flow risk and the amount and period of future cash needs.

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

Term	Inflow (in thousand)		Outflow (in thousand)	
	Within one year	\$	69,761,484	US\$
	EUR	118,500		

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

2) Fair values of financial instruments were as follows:

	2004		2003	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Non-derivative financial instruments</u>				
Assets				
Short-term investments, net	\$ 54,107,951	\$ 54,990,545	\$ 13,611,536	\$ 14,054,511
Long-term investments (securities with market price)	31,165,721	34,265,072	4,103,926	10,976,671
Liabilities				
Bonds payable (including current portion)	30,000,000	30,607,341	35,000,000	35,850,377
<u>Derivative financial instruments</u>				
Forward exchange contracts (buy)	-	-	2,351	3,037
Forward exchange contracts (sell)	391,975	317,090	(99,984)	40,638
Cross currency swap contracts	761,030	760,012	-	-
Interest rate swap contracts	4,361	(22,714)	-	2,093

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

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

Fair values of financial instruments were determined as follows:

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

k. Information on investment in Mainland China

- 1) The name of the investee company in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, ratio of ownership, equity in the net gain or net loss, ending balance, amount received as earnings distributions from the investment, and the limitation on investment: Please see Table 9 attached.
- 2) Significant direct or indirect transactions with the investee company, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Please see Note 20.

24. Segment Financial Information

a. Geographic information:

	Overseas	Taiwan	Adjustments and Elimination	Consolidated
<u>2004</u>				
Sales to unaffiliated customers	\$ 143,801,130	\$ 113,411,488	\$ -	\$ 257,212,618
Transfers between geographic areas	<u>15,657,797</u>	<u>142,580,939</u>	<u>(158,238,736)</u>	<u>-</u>
Total sales	<u>\$ 159,458,927</u>	<u>\$ 255,992,427</u>	<u>\$(158,238,736)</u>	<u>\$ 257,212,618</u>
Gross profit	<u>\$ 6,173,780</u>	<u>\$ 110,160,584</u>	<u>\$ (515,181)</u>	\$ 115,819,183
Operating expenses				(27,337,509)
Non-operating income and gains				6,090,224
Non-operating expenses and losses				<u>(2,606,311)</u>
Income before income tax and minority interest				<u>\$ 91,965,587</u>
Minority interest in income of subsidiaries				<u>\$ 12,898</u>
Identifiable assets	<u>\$ 89,000,906</u>	<u>\$ 416,076,665</u>	<u>\$ (43,725,329)</u>	\$ 461,352,242
Long-term investments				<u>38,101,849</u>
Total assets				<u>\$ 499,454,091</u>

(Continued)

	Overseas	Taiwan	Adjustments and Elimination	Consolidated
<u>2003</u>				
Sales to unaffiliated customers	\$ 118,851,382	\$ 84,145,430	\$ -	\$ 202,996,812
Transfers between geographic areas	<u>11,494,868</u>	<u>117,758,911</u>	<u>(129,253,779)</u>	<u>-</u>
Total sales	<u>\$ 130,346,250</u>	<u>\$ 201,904,341</u>	<u>\$(129,253,779)</u>	<u>\$ 202,996,812</u>
Gross profit	<u>\$ 2,392,944</u>	<u>\$ 72,891,637</u>	<u>\$ (401,103)</u>	\$ 74,883,478
Operating expenses				(23,582,897)
Non-operating income and gains				5,669,312
Non-operating expenses and losses				<u>(5,791,248)</u>
Income before income tax and minority interest				<u>\$ 51,178,645</u>
Minority interest in loss of subsidiaries				<u>\$ 3,012</u>
Identifiable assets	<u>\$ 52,276,269</u>	<u>\$ 358,451,509</u>	<u>\$ (14,075,261)</u>	\$ 396,652,517
Long-term investments				<u>10,748,014</u>
Total assets				<u>\$ 407,400,531</u>

(Concluded)

b. Gross export sales

The export sales information is determined based on billed regions. Gross export sales for the years ended December 31, 2004 and 2003 were NT\$92,455,415 thousand and NT\$59,868,104 thousand, respectively. There were no export sales to a region that accounted for more than 10% of the Company's total sales.

c. Major customer

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

TABLE 1

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND SUBSIDIARIES
FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2004

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

No.	Financing Name	Counter-party	Financial Statement Account	Maximum Balance for the Period (US\$ in thousand)	Ending Balance (US\$ in thousand)
1	TSMC International	TSMC Development	Other receivables	\$ 1,915,020 (US\$ 60,000)	\$ 1,915,020 (US\$ 60,000)
		TSMC Technology	Other receivables	(US\$ 319,170 10,000)	-
2	TSMC Partners	TSMC Development	Other receivables	(US\$ 2,553,360 80,000)	(US\$ 2,553,360 80,000)

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

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

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

TABLE 2

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND SUBSIDIARIES
ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2004

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

No.	Endorsement/ Guarantee Provider	Counter-party		Limits on Each Counter-party's Endorsement/ Guarantee Amounts
		Name	Nature of Relationship (Note 2)	
0	The Company	TSMC Development	3	Not exceed 10% of the net worth of the Company, and also limiting to the total capital issued of the endorsement / guarantee company, unless otherwise approved by Board of Directors.
		TSMC - North America	2	
		WaferTech	3	

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

Note 2: The No. 2 represents a subsidiary in which the Company holds directly over 50% of the equity interest.

The No. 3 represents an investee in which the Company holds directly and indirectly over 50% of the equity interest.

Interest Rate	Type of Financing (Note 1)	Transaction Amounts	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limits (US\$ in thousand)
					Item	Value		
1.50%	2	\$ -	Operating capital	\$ -	-	\$ -	N/A	\$ 31,532,982 (US\$ 987,968) (Note 2)
-	-	-	-	-	-	-	-	
1.50%	2	-	Operating capital	-	-	-	N/A	(Note 3)

Maximum Balance for the Year (US\$ in thousand)	Ending Balance (US\$ in thousand)	Value of Collateral Property, Plant and Equipment	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statement	Maximum Collateral/Guarantee Amounts Allowable (Note 1)
\$ 1,915,020 (US\$ 60,000)	\$ 1,915,020 (US\$ 60,000)	\$ -	0.48%	\$ 99,741,325
1,276,680 (US\$ 40,000)	1,276,680 (US\$ 40,000)	-	0.32%	
14,043,480 (US\$ 440,000)	-	-	-	

TABLE 3

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
DECEMBER 31, 2004

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

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account
The Company	<u>Government bonds</u>		
	2003 Government Bond Series A	-	Short-term investment
	United States Treas NTS	-	Short-term investment
	2003 Government Bond Series I	-	Long-term investment
	2004 Government Bond Series A	-	Long-term investment
	2004 Government Bond Series E	-	Long-term investment
	2004 Kaohsiung Municipal Bond Series A	-	Long-term investment
	<u>Bonds under repurchase agreement</u>	-	Short-term investment
	<u>Bond funds</u>		
	JF Taiwan Bond Fund	-	Short-term investment
	ABN AMRO Bond Fund	-	Short-term investment
	JF Taiwan First Bond Fund	-	Short-term investment
	INVESCO R.O.C. Bond A Fund	-	Short-term investment
	Dresdner Bond DAM Fund	-	Short-term investment
	Barits Bond Fund	-	Short-term investment
	Shinkong Chi Shin Bond Fund	-	Short-term investment
	ABN AMRO Select Bond Fund	-	Short-term investment
	NITC Bond Fund	-	Short-term investment
	HSBC NTD Money Management Fund	-	Short-term investment
	<u>Stock</u>		
	Taiwan Mask Corp.	-	Short-term investment
	TSMC International	Subsidiary	Long-term investment
	VIS	Investee	Long-term investment
	TSMC Partners	Subsidiary	Long-term investment
	SSMC	Investee	Long-term investment
	TSMC - North America	Subsidiary	Long-term investment
	GUC	Investee	Long-term investment
	TSMC - Japan	Subsidiary	Long-term investment
	VisEra	Investee	Long-term investment
	TSMC - Europe	Subsidiary	Long-term investment
	United Industrial Gases Co., Ltd.	-	Long-term investment
	Shin-Etsu Handotai Taiwan Co., Ltd.	-	Long-term investment
	W.K. Technology Fund IV	-	Long-term investment
	Hontung Venture Capital Co., Ltd.	-	Long-term investment
	Globaltop Partner I Venture Capital Corp.	-	Long-term investment
	<u>Corporate bonds</u>		
	Taiwan Power Company	-	Short-term investment
	Abbott Labs	-	Short-term investment
	Abbott Labs	-	Short-term investment
	Ace Ltd	-	Short-term investment
	ALG Sunamerica Global Fing IX	-	Short-term investment
	Allstate Finl Global Fdg LLC	-	Short-term investment
	American Express Co.	-	Short-term investment
	American Gen Fin Corp.	-	Short-term investment
	American Gen Fin Corp. Mtn	-	Short-term investment
	American Gen Fin Corp. Mtn	-	Short-term investment
	American Honda Fin Corp. Mtn	-	Short-term investment

December 31, 2004					Note
Shares/Units (in thousand)	Carrying Value (US\$ in thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in thousand)		
-	\$ 1,207,409	N/A	\$ 1,202,028		
-	US\$ 192,357	N/A	US\$ 191,824		
-	3,397,081	N/A	3,393,982		
-	2,349,573	N/A	2,352,973		
-	3,893,827	N/A	3,892,025		
-	620,000	N/A	620,000		
-	249,449	N/A	251,593		
78,698	1,153,209	N/A	1,169,406		
134,906	1,956,175	N/A	1,978,785		
84,886	1,151,463	N/A	1,162,632		
76,705	1,101,911	N/A	1,111,932		
80,833	900,000	N/A	910,904		
76,640	900,000	N/A	907,765		
151,594	2,100,000	N/A	2,115,554		
18,235	200,000	N/A	201,183		
3,764	600,000	N/A	602,703		
41,568	600,000	N/A	601,958		
1,787	6,528	-	27,552		
987,968	23,778,997	100	23,778,997		
409,532	5,401,982	28	8,493,692		
300	3,908,356	100	3,908,356		
382	3,290,888	32	3,290,888		
11,000	502,242	100	1,179,352	Treasury stock of NT\$677,110 thousand is deducted from the carrying value.	
39,040	391,626	47	418,272		
6	102,572	100	102,572		
5,100	59,116	25	59,116		
-	25,439	100	25,439		
16,783	193,584	10	284,036		
10,500	105,000	7	170,940		
5,000	50,000	2	55,146		
8,392	83,916	10	53,571		
5,000	50,000	1	49,909		
-	2,777,798	N/A	2,749,413		
-	US\$ 2,732	N/A	US\$ 2,709		
-	US\$ 1,581	N/A	US\$ 1,587		
-	US\$ 1,046	N/A	US\$ 1,042		
-	US\$ 1,032	N/A	US\$ 1,028		
-	US\$ 3,171	N/A	US\$ 3,096		
-	US\$ 3,550	N/A	US\$ 3,503		
-	US\$ 1,768	N/A	US\$ 1,765		
-	US\$ 3,130	N/A	US\$ 3,087		
-	US\$ 1,058	N/A	US\$ 1,042		
-	US\$ 3,800	N/A	US\$ 3,803		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account
	American Intl Group Inc. Mtnf	-	Short-term investment
	Amgen Inc.	-	Short-term investment
	Amsouth Bk Birmingham Ala	-	Short-term investment
	ANZ Cap Tr I	-	Short-term investment
	Bank New York Inc.	-	Short-term investment
	Bank New York Inc.	-	Short-term investment
	Bank Scotland Treas Svcs PLC	-	Short-term investment
	Bank Utd Houston TX Mtn	-	Short-term investment
	Bear Stearns Cos Inc.	-	Short-term investment
	Bear Stearns Cos Inc. Medium Te	-	Short-term investment
	Berkshire Hathaway Fin Corp.	-	Short-term investment
	Bristol Myers Squibb Co.	-	Short-term investment
	British Telecommunications PLC	-	Short-term investment
	Cargill Inc.	-	Short-term investment
	Chase Manhattan Corp. New	-	Short-term investment
	Cit Group Hldgs Inc.	-	Short-term investment
	Citigroup Inc.	-	Short-term investment
	Citigroup Inc.	-	Short-term investment
	Citigroup Inc.	-	Short-term investment
	Colonial Pipeline Co.	-	Short-term investment
	Compaq Computer Corp.	-	Short-term investment
	Consolidated Edison Co. NY Inc.	-	Short-term investment
	Corestates Cap Corp.	-	Short-term investment
	Countrywide Fdg Corp. Mtn	-	Short-term investment
	Countrywide Home Lns Inc.	-	Short-term investment
	Credit Suisse Fb USA Inc.	-	Short-term investment
	Credit Suisse First Boston	-	Short-term investment
	Credit Suisse First Boston USA	-	Short-term investment
	Daimlerchrysler North Amer	-	Short-term investment
	Daimlerchrysler North Amer Hld	-	Short-term investment
	Dell Computer Corp.	-	Short-term investment
	Den Danske BK Aktieselskab	-	Short-term investment
	Deutsche Telekom Intl Fin BV	-	Short-term investment
	Diageo PLC	-	Short-term investment
	Dow Chem Co.	-	Short-term investment
	European Invt Bk	-	Short-term investment
	Fifth Third Bk Cincinnati OH	-	Short-term investment
	First Data Corp.	-	Short-term investment
	First Un Corp.	-	Short-term investment
	Fleet Finl Group Inc. New	-	Short-term investment
	Fleet Finl Corp Inc. New	-	Short-term investment
	Ford Mtr Cr Co.	-	Short-term investment
	FPL Group Cap Inc.	-	Short-term investment
	FPL Group Cap Inc.	-	Short-term investment
	General Elec Cap Corp. Mtn	-	Short-term investment
	General Elec Cap Corp. Mtn	-	Short-term investment
	General Elec Cap Corp. Mtn	-	Short-term investment
	Genworth Finl Inc.	-	Short-term investment
	Goldman Sachs Group Inc. Mtn	-	Short-term investment
	Goldman Sachs Group LP	-	Short-term investment
	Goldman Sachs Group LP	-	Short-term investment
	Greenpoint Finl Corp.	-	Short-term investment
	GTE Corp.	-	Short-term investment
	Hancock John Global Fdg Mtn	-	Short-term investment
	Hartford Finl Svcs Group Inc.	-	Short-term investment
	Hartford Finl Svcs Group Inc.	-	Short-term investment
	Heller Finl Inc.	-	Short-term investment
	Hershey Foods Corp.	-	Short-term investment

December 31, 2004					Note
Shares/Units (in thousand)	Carrying Value (US\$ in thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in thousand)		
-	US\$ 3,795	N/A	US\$ 3,795		
-	US\$ 3,005	N/A	US\$ 2,991		
-	US\$ 1,972	N/A	US\$ 1,978		
-	US\$ 1,012	N/A	US\$ 1,001		
-	US\$ 1,525	N/A	US\$ 1,509		
-	US\$ 3,945	N/A	US\$ 3,943		
-	US\$ 2,715	N/A	US\$ 2,717		
-	US\$ 580	N/A	US\$ 574		
-	US\$ 3,518	N/A	US\$ 3,493		
-	US\$ 3,105	N/A	US\$ 3,105		
-	US\$ 1,498	N/A	US\$ 1,494		
-	US\$ 3,819	N/A	US\$ 3,788		
-	US\$ 2,104	N/A	US\$ 2,091		
-	US\$ 2,120	N/A	US\$ 2,079		
-	US\$ 1,628	N/A	US\$ 1,613		
-	US\$ 3,203	N/A	US\$ 3,195		
-	US\$ 2,000	N/A	US\$ 2,002		
-	US\$ 1,033	N/A	US\$ 1,033		
-	US\$ 3,583	N/A	US\$ 3,523		
-	US\$ 1,625	N/A	US\$ 1,612		
-	US\$ 3,719	N/A	US\$ 3,593		
-	US\$ 3,687	N/A	US\$ 3,618		
-	US\$ 1,062	N/A	US\$ 1,060		
-	US\$ 2,158	N/A	US\$ 2,151		
-	US\$ 5,210	N/A	US\$ 5,157		
-	US\$ 2,645	N/A	US\$ 2,599		
-	US\$ 786	N/A	US\$ 779		
-	US\$ 2,249	N/A	US\$ 2,240		
-	US\$ 997	N/A	US\$ 999		
-	US\$ 749	N/A	US\$ 755		
-	US\$ 3,054	N/A	US\$ 3,025		
-	US\$ 2,192	N/A	US\$ 2,166		
-	US\$ 1,852	N/A	US\$ 1,838		
-	US\$ 3,459	N/A	US\$ 3,477		
-	US\$ 921	N/A	US\$ 911		
-	US\$ 8,315	N/A	US\$ 8,236		
-	US\$ 2,419	N/A	US\$ 2,466		
-	US\$ 3,013	N/A	US\$ 2,986		
-	US\$ 970	N/A	US\$ 965		
-	US\$ 494	N/A	US\$ 493		
-	US\$ 975	N/A	US\$ 962		
-	US\$ 1,542	N/A	US\$ 1,535		
-	US\$ 1,001	N/A	US\$ 990		
-	US\$ 860	N/A	US\$ 846		
-	US\$ 3,467	N/A	US\$ 3,455		
-	US\$ 1,040	N/A	US\$ 1,040		
-	US\$ 3,886	N/A	US\$ 3,878		
-	US\$ 3,412	N/A	US\$ 3,408		
-	US\$ 3,505	N/A	US\$ 3,494		
-	US\$ 1,637	N/A	US\$ 1,599		
-	US\$ 1,100	N/A	US\$ 1,075		
-	US\$ 974	N/A	US\$ 972		
-	US\$ 2,134	N/A	US\$ 2,109		
-	US\$ 1,003	N/A	US\$ 986		
-	US\$ 765	N/A	US\$ 758		
-	US\$ 296	N/A	US\$ 296		
-	US\$ 1,171	N/A	US\$ 1,163		
-	US\$ 1,627	N/A	US\$ 1,606		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account
	Hewlett Packard Co.	-	Short-term investment
	Honeywell Inc.	-	Short-term investment
	Household Fin Corp.	-	Short-term investment
	Household Fin Corp.	-	Short-term investment
	Household Fin Corp. Mtn Bk Ent	-	Short-term investment
	HSBC USA Inc. New	-	Short-term investment
	Huntington Natl Bk	-	Short-term investment
	Huntington Natl Bk Columbus OH	-	Short-term investment
	ING Bank	-	Short-term investment
	ING Sec Life Ins Ingslf	-	Short-term investment
	Intl Bk For Recon + Dev	-	Short-term investment
	JP Morgan Chase + Co.	-	Short-term investment
	Jackson Natl Life Global Fdg	-	Short-term investment
	Jackson Natl Life Global Fdg S	-	Short-term investment
	JP Morgan Chase + Co.	-	Short-term investment
	Keycorp Mtn Book Entry	-	Short-term investment
	KFW Intl Fin Inc.	-	Short-term investment
	Kraft Foods Inc.	-	Short-term investment
	Kraft Foods Inc.	-	Short-term investment
	Lehman Brothers Hldgs Inc.	-	Short-term investment
	Lehman Brothers Hldgs Inc.	-	Short-term investment
	Lehman Brothers Hldgs Inc.	-	Short-term investment
	Lilly Eli + Co.	-	Short-term investment
	Lincoln Natl Corp. In	-	Short-term investment
	Merita Bk Ltd NY Brh	-	Short-term investment
	Merrill Lynch + Co. Inc.	-	Short-term investment
	Metropolitan Life Global Mtn	-	Short-term investment
	Monumental Global Fdg II	-	Short-term investment
	Monumental Global Fdg II	-	Short-term investment
	Monumental Global Fdg II 2002A	-	Short-term investment
	Morgan Stanley	-	Short-term investment
	Morgan Stanley Group Inc.	-	Short-term investment
	Morgan Stanley Group Inc.	-	Short-term investment
	National Westminster Bk PLC	-	Short-term investment
	Nationsbank Corp.	-	Short-term investment
	Nationwide Bldg Soc	-	Short-term investment
	Nationwide Life Global Mtn	-	Short-term investment
	Pepsico Inc. Mtn Book Entry	-	Short-term investment
	PNC Fdg Corp.	-	Short-term investment
	Popular North Amer Inc. Mtn	-	Short-term investment
	Premark Intl Inc.	-	Short-term investment
	Prcoa Global Fdg I Mtn	-	Short-term investment
	Prcoa Global Fdg I Mtn	-	Short-term investment
	Principal Life Global Fdg I Gl	-	Short-term investment
	Protective Life Secd Trs	-	Short-term investment
	Prudential Ins Co. Amer	-	Short-term investment
	Reinsurance Group Amer Inc.	-	Short-term investment
	Royal Bk Scotland Group PLC	-	Short-term investment
	Royal Bk Scotland Group PLC	-	Short-term investment
	Royal Bk Scotland Group PLC	-	Short-term investment
	Safeco Corp.	-	Short-term investment
	Salomon Smith Barney Hldgs Inc.	-	Short-term investment
	Sara Lee Corp.	-	Short-term investment
	SBC Communications Inc.	-	Short-term investment
	SBC Communications Inc.	-	Short-term investment
	Scotland Intl Fin B V 144A	-	Short-term investment
	Shell Finance (UK) PLC	-	Short-term investment
	SLM Corp.	-	Short-term investment

December 31, 2004					Note
Shares/Units (in thousand)	Carrying Value (US\$ in thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in thousand)		
-	US\$ 3,373	N/A	US\$ 3,305		
-	US\$ 3,284	N/A	US\$ 3,218		
-	US\$ 529	N/A	US\$ 522		
-	US\$ 2,993	N/A	US\$ 2,985		
-	US\$ 3,542	N/A	US\$ 3,510		
-	US\$ 1,154	N/A	US\$ 1,134		
-	US\$ 3,003	N/A	US\$ 3,000		
-	US\$ 2,954	N/A	US\$ 2,961		
-	US\$ 2,114	N/A	US\$ 2,113		
-	US\$ 3,012	N/A	US\$ 3,007		
-	US\$ 5,232	N/A	US\$ 5,102		
-	US\$ 1,043	N/A	US\$ 1,039		
-	US\$ 1,036	N/A	US\$ 1,032		
-	US\$ 2,998	N/A	US\$ 2,988		
-	US\$ 3,663	N/A	US\$ 3,629		
-	US\$ 3,500	N/A	US\$ 3,502		
-	US\$ 5,104	N/A	US\$ 5,027		
-	US\$ 773	N/A	US\$ 765		
-	US\$ 1,037	N/A	US\$ 1,036		
-	US\$ 1,163	N/A	US\$ 1,162		
-	US\$ 3,705	N/A	US\$ 3,634		
-	US\$ 2,171	N/A	US\$ 2,154		
-	US\$ 3,750	N/A	US\$ 3,749		
-	US\$ 519	N/A	US\$ 518		
-	US\$ 538	N/A	US\$ 533		
-	US\$ 3,486	N/A	US\$ 3,481		
-	US\$ 1,907	N/A	US\$ 1,910		
-	US\$ 2,500	N/A	US\$ 2,501		
-	US\$ 1,534	N/A	US\$ 1,516		
-	US\$ 1,045	N/A	US\$ 1,034		
-	US\$ 2,136	N/A	US\$ 2,128		
-	US\$ 3,638	N/A	US\$ 3,628		
-	US\$ 1,050	N/A	US\$ 1,048		
-	US\$ 1,433	N/A	US\$ 1,422		
-	US\$ 3,644	N/A	US\$ 3,549		
-	US\$ 3,457	N/A	US\$ 3,477		
-	US\$ 1,463	N/A	US\$ 1,469		
-	US\$ 3,818	N/A	US\$ 3,817		
-	US\$ 1,080	N/A	US\$ 1,075		
-	US\$ 3,042	N/A	US\$ 3,022		
-	US\$ 2,954	N/A	US\$ 2,914		
-	US\$ 3,507	N/A	US\$ 3,503		
-	US\$ 3,050	N/A	US\$ 3,047		
-	US\$ 3,168	N/A	US\$ 3,102		
-	US\$ 2,920	N/A	US\$ 2,969		
-	US\$ 2,648	N/A	US\$ 2,610		
-	US\$ 2,091	N/A	US\$ 2,089		
-	US\$ 1,563	N/A	US\$ 1,547		
-	US\$ 564	N/A	US\$ 558		
-	US\$ 369	N/A	US\$ 364		
-	US\$ 765	N/A	US\$ 763		
-	US\$ 3,160	N/A	US\$ 3,100		
-	US\$ 1,596	N/A	US\$ 1,601		
-	US\$ 3,681	N/A	US\$ 3,617		
-	US\$ 2,251	N/A	US\$ 2,245		
-	US\$ 1,533	N/A	US\$ 1,532		
-	US\$ 3,604	N/A	US\$ 3,553		
-	US\$ 500	N/A	US\$ 501		

(Continued)

December 31, 2004					Note
Shares/Units (in thousand)	Carrying Value (US\$ in thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in thousand)		
-	US\$ 2,950	N/A	US\$ 2,985		
-	US\$ 991	N/A	US\$ 992		
-	US\$ 1,062	N/A	US\$ 1,060		
-	US\$ 1,084	N/A	US\$ 1,067		
-	US\$ 519	N/A	US\$ 514		
-	US\$ 2,943	N/A	US\$ 2,965		
-	US\$ 2,755	N/A	US\$ 2,704		
-	US\$ 3,119	N/A	US\$ 3,097		
-	US\$ 2,669	N/A	US\$ 2,687		
-	US\$ 2,884	N/A	US\$ 2,838		
-	US\$ 2,559	N/A	US\$ 2,561		
-	US\$ 3,720	N/A	US\$ 3,600		
-	US\$ 3,670	N/A	US\$ 3,602		
-	US\$ 4,768	N/A	US\$ 4,689		
-	US\$ 4,735	N/A	US\$ 4,682		
-	US\$ 3,182	N/A	US\$ 3,180		
-	US\$ 3,697	N/A	US\$ 3,631		
-	US\$ 1,999	N/A	US\$ 1,999		
-	2,978,804	N/A	2,977,695		
-	915,276	N/A	914,582		
-	407,526	N/A	407,484		
-	405,485	N/A	405,322		
-	202,595	N/A	200,000		
-	US\$ 3,466	N/A	US\$ 3,462		
-	US\$ 2,532	N/A	US\$ 2,520		
-	US\$ 1,042	N/A	US\$ 1,024		
-	US\$ 4,927	N/A	US\$ 4,947		
-	US\$ 7,962	N/A	US\$ 7,939		
-	US\$ 7,014	N/A	US\$ 6,924		
-	US\$ 4,936	N/A	US\$ 4,949		
-	US\$ 4,948	N/A	US\$ 4,944		
-	US\$ 2,454	N/A	US\$ 2,468		
-	US\$ 7,018	N/A	US\$ 7,004		
-	US\$ 4,996	N/A	US\$ 4,973		
-	US\$ 7,042	N/A	US\$ 6,985		
-	US\$ 6,098	N/A	US\$ 6,084		
-	US\$ 2,909	N/A	US\$ 2,907		
-	US\$ 13,953	N/A	US\$ 13,898		
-	US\$ 13,983	N/A	US\$ 13,946		
-	US\$ 13,981	N/A	US\$ 13,946		
-	US\$ 6,978	N/A	US\$ 6,928		
-	US\$ 3,388	N/A	US\$ 3,419		
-	US\$ 4,953	N/A	US\$ 4,941		
-	US\$ 9,997	N/A	US\$ 9,943		
-	US\$ 998	N/A	US\$ 993		
-	US\$ 4,933	N/A	US\$ 4,936		
-	US\$ 4,930	N/A	US\$ 4,938		
-	US\$ 4,847	N/A	US\$ 4,891		
-	US\$ 4,903	N/A	US\$ 4,943		
-	US\$ 5,270	N/A	US\$ 5,237		
-	US\$ 6,940	N/A	US\$ 6,937		
-	US\$ 6,903	N/A	US\$ 6,917		
-	US\$ 4,981	N/A	US\$ 4,953		
-	US\$ 6,997	N/A	US\$ 6,983		
-	US\$ 15,787	N/A	US\$ 15,798		
-	US\$ 7,000	N/A	US\$ 6,976		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account
	Freddie Mac	-	Short-term investment
	Fed Hm Ln Pc Pool E89857	-	Short-term investment
	Fed Hm Ln Pc Pool G11295	-	Short-term investment
	Federal Home Ln Mtg Corp.	-	Short-term investment
	Federal Home Ln Mtg Corp.	-	Short-term investment
	Federal Home Ln Mtg Corp.	-	Short-term investment
	Federal Home Ln Mtg Corp.	-	Short-term investment
	Federal Natl Mtg Assn	-	Short-term investment
	Federal Natl Mtg Assn	-	Short-term investment
	Federal Natl Mtg Assn	-	Short-term investment
	Federal Natl Mtg Assn Gtd	-	Short-term investment
	FNMA Pool 685116	-	Short-term investment
	FNMA Pool 725095	-	Short-term investment
	FNMA Pool 790828	-	Short-term investment
	FNMA Pool 793932	-	Short-term investment
	FNMA Pool 794040	-	Short-term investment
	FNMA Pool 795548	-	Short-term investment
	FNMA Pool 806642	-	Short-term investment
	GNMA II Pool 081150	-	Short-term investment
	GNMA II Pool 081153	-	Short-term investment
	Government Natl Mtg Assn	-	Short-term investment
	<u>Corporate issued asset-backed securities</u>		
	Aegis Asset Backed Secs Tr	-	Short-term investment
	Aesop Fed II LLC	-	Short-term investment
	Aesop Fed II LLC	-	Short-term investment
	American Express Cr Account Ma	-	Short-term investment
	American Home Mtg Invt Tr	-	Short-term investment
	Americredit Automobile Receiv	-	Short-term investment
	Americredit Automobile Rec Tr	-	Short-term investment
	Americredit Automobile Rec Tr	-	Short-term investment
	Americredit Automobile Receivb	-	Short-term investment
	Atlantic City Elc Trns Fdg LLC	-	Short-term investment
	Banc Amer Coml Mtg Inc.	-	Short-term investment
	Banc Amer Mtg Secs Inc.	-	Short-term investment
	Bank of Amer Lease Equip Tr	-	Short-term investment
	Bear Stearns Alt A Tr	-	Short-term investment
	Bear Stearns Asset Backed Secs	-	Short-term investment
	BMW Veh Owner Tr	-	Short-term investment
	California Infr + Economic Dev	-	Short-term investment
	California Infrs + Economic	-	Short-term investment
	California Infrastructure Dev	-	Short-term investment
	Capital Auto Receivables Asset	-	Short-term investment
	Capital One Auto Fin Tr	-	Short-term investment
	Capital One Auto Fin Tr	-	Short-term investment
	Capital One Auto Fin Tr	-	Short-term investment
	Capital One Multi Asset Execut	-	Short-term investment
	Caterpillar Finl Asset Tr	-	Short-term investment
	Centex Home Equity Ln Tr	-	Short-term investment
	Cit Equip Coll Tr	-	Short-term investment
	Citibank Cr Card Issuance Tr	-	Short-term investment
	Citicorp Mtg Secs	-	Short-term investment
	CNH Equip Tr	-	Short-term investment
	Comm 2004 Htl 1	-	Short-term investment
	Credit Suisse First Boston Mtg	-	Short-term investment
	CWABS Inc.	-	Short-term investment
	CWABS Inc.	-	Short-term investment
	CWABS Inc.	-	Short-term investment

December 31, 2004					Note
Shares/Units (in thousand)	Carrying Value (US\$ in thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in thousand)		
-	US\$ 4,929	N/A	US\$ 4,934		
-	US\$ 2,535	N/A	US\$ 2,531		
-	US\$ 2,277	N/A	US\$ 2,273		
-	US\$ 6,096	N/A	US\$ 6,075		
-	US\$ 4,435	N/A	US\$ 4,440		
-	US\$ 3,558	N/A	US\$ 3,539		
-	US\$ 3,645	N/A	US\$ 3,615		
-	US\$ 4,242	N/A	US\$ 4,188		
-	US\$ 2,141	N/A	US\$ 2,126		
-	US\$ 4,765	N/A	US\$ 4,719		
-	US\$ 3,486	N/A	US\$ 3,446		
-	US\$ 1,003	N/A	US\$ 1,002		
-	US\$ 2,008	N/A	US\$ 2,003		
-	US\$ 4,807	N/A	US\$ 4,773		
-	US\$ 994	N/A	US\$ 994		
-	US\$ 1,021	N/A	US\$ 1,020		
-	US\$ 977	N/A	US\$ 975		
-	US\$ 2,006	N/A	US\$ 2,004		
-	US\$ 999	N/A	US\$ 997		
-	US\$ 3,789	N/A	US\$ 3,766		
-	US\$ 1,734	N/A	US\$ 1,700		
-	US\$ 2,000	N/A	US\$ 2,004		
-	US\$ 4,955	N/A	US\$ 4,963		
-	US\$ 1,912	N/A	US\$ 1,888		
-	US\$ 3,445	N/A	US\$ 3,427		
-	US\$ 949	N/A	US\$ 949		
-	US\$ 2,002	N/A	US\$ 1,998		
-	US\$ 1,055	N/A	US\$ 1,048		
-	US\$ 2,000	N/A	US\$ 1,990		
-	US\$ 4,949	N/A	US\$ 4,912		
-	US\$ 926	N/A	US\$ 923		
-	US\$ 5,364	N/A	US\$ 5,315		
-	US\$ 4,030	N/A	US\$ 4,006		
-	US\$ 4,023	N/A	US\$ 3,995		
-	US\$ 1,478	N/A	US\$ 1,489		
-	US\$ 2,000	N/A	US\$ 2,000		
-	US\$ 4,978	N/A	US\$ 4,941		
-	US\$ 4,298	N/A	US\$ 4,230		
-	US\$ 6,126	N/A	US\$ 6,064		
-	US\$ 5,089	N/A	US\$ 5,035		
-	US\$ 4,018	N/A	US\$ 3,992		
-	US\$ 319	N/A	US\$ 318		
-	US\$ 1,147	N/A	US\$ 1,145		
-	US\$ 3,000	N/A	US\$ 2,989		
-	US\$ 4,957	N/A	US\$ 4,977		
-	US\$ 10,008	N/A	US\$ 9,923		
-	US\$ 3,500	N/A	US\$ 3,493		
-	US\$ 4,999	N/A	US\$ 4,991		
-	US\$ 4,959	N/A	US\$ 4,965		
-	US\$ 2,364	N/A	US\$ 2,363		
-	US\$ 5,000	N/A	US\$ 4,952		
-	US\$ 4,600	N/A	US\$ 4,607		
-	US\$ 4,209	N/A	US\$ 4,178		
-	US\$ 1,647	N/A	US\$ 1,662		
-	US\$ 1,903	N/A	US\$ 1,907		
-	US\$ 1,907	N/A	US\$ 1,912		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account
	CWABS Inc.	-	Short-term investment
	CWABS Inc.	-	Short-term investment
	CWABS Inc.	-	Short-term investment
	CWALT Inc.	-	Short-term investment
	CWABS Inc.	-	Short-term investment
	CWABS Inc.	-	Short-term investment
	Daimlerchrysler Auto Tr	-	Short-term investment
	Daimlerchrysler Auto Tr	-	Short-term investment
	Daimlerchrysler Auto Tr	-	Short-term investment
	Detroit Edison Securitization	-	Short-term investment
	Fifth Third Auto Tr	-	Short-term investment
	Finance Amer Mtg Ln Tr	-	Short-term investment
	First Franklin Mtg Ln Tr	-	Short-term investment
	First Horizon Abs Tr	-	Short-term investment
	First Union Lehman Bros Mtg Tr	-	Short-term investment
	First USA Credit Cr Master Tr	-	Short-term investment
	Ford Cr Auto Owner Tr	-	Short-term investment
	Granite Mtgs PLC	-	Short-term investment
	GS Auto Ln Tr	-	Short-term investment
	GS Mtg Secs Corp.	-	Short-term investment
	Harley Davidson Motorcycle Tr	-	Short-term investment
	Harley Davidson Motorcycle Tr	-	Short-term investment
	Holmes Fing No 8 PLC	-	Short-term investment
	Honda Auto Receivables	-	Short-term investment
	Household Automotive Tr	-	Short-term investment
	Hyundai Auto Receivables Tr	-	Short-term investment
	IMPAC Cmb Tr	-	Short-term investment
	IMPAC Cmb Tr	-	Short-term investment
	IMPAC Secd Assets Corp.	-	Short-term investment
	Long Beach Accep Auto Receivab	-	Short-term investment
	Merrill Lynch Mtg Invs Inc.	-	Short-term investment
	Merrill Lynch Mtg Invs Inc.	-	Short-term investment
	Monumentl Global Fdg II	-	Short-term investment
	National City Auto Receivables	-	Short-term investment
	Navistar finl 2003 A Owner Tr	-	Short-term investment
	Nissan Auto Receivables	-	Short-term investment
	Nissan Auto Receivables Own Tr	-	Short-term investment
	Nissan Auto Receivables Owner	-	Short-term investment
	ONYX Accep Owner Tr	-	Short-term investment
	ONYX Accep Owner Tr	-	Short-term investment
	Providian Gateway Owner Tr	-	Short-term investment
	Providian Gateway Owner Tr	-	Short-term investment
	Reliant Energy Transition Bd	-	Short-term investment
	Residential Asset Mtg Prods	-	Short-term investment
	Residential Asset Mtg Prods	-	Short-term investment
	Residential Fdg Mtg Secs I Inc.	-	Short-term investment
	Sequoia Mtg Tr	-	Short-term investment
	Sequoia Mtg Tr	-	Short-term investment
	Sequoia Mtg Tr	-	Short-term investment
	Sequoia Mtg Tr	-	Short-term investment
	Sequoia Mtg Tr	-	Short-term investment
	Structured Adj Rate Mtg Ln Tr	-	Short-term investment
	Structured Asset Secs Corp.	-	Short-term investment
	Thoonburg Mtg Secs Tr	-	Short-term investment
	Toyota Auto Receivables 2003B	-	Short-term investment
	Triad Auto Receivables Tr	-	Short-term investment
	TXU Elec Delivery Transition	-	Short-term investment
	USAA Auto Owner Tr	-	Short-term investment

December 31, 2004					Note
Shares/Units (in thousand)	Carrying Value (US\$ in thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in thousand)		
-	US\$ 2,000	N/A	US\$ 1,997		
-	US\$ 5,000	N/A	US\$ 5,055		
-	US\$ 3,500	N/A	US\$ 3,541		
-	US\$ 4,292	N/A	US\$ 4,277		
-	US\$ 2,317	N/A	US\$ 2,298		
-	US\$ 4,040	N/A	US\$ 4,040		
-	US\$ 4,991	N/A	US\$ 4,970		
-	US\$ 4,982	N/A	US\$ 4,970		
-	US\$ 4,897	N/A	US\$ 4,893		
-	US\$ 674	N/A	US\$ 671		
-	US\$ 3,000	N/A	US\$ 2,999		
-	US\$ 985	N/A	US\$ 986		
-	US\$ 2,002	N/A	US\$ 2,006		
-	US\$ 2,000	N/A	US\$ 2,000		
-	US\$ 3,567	N/A	US\$ 3,534		
-	US\$ 5,011	N/A	US\$ 5,008		
-	US\$ 10,999	N/A	US\$ 10,936		
-	US\$ 5,000	N/A	US\$ 5,000		
-	US\$ 2,948	N/A	US\$ 2,970		
-	US\$ 2,944	N/A	US\$ 2,944		
-	US\$ 3,417	N/A	US\$ 3,400		
-	US\$ 5,999	N/A	US\$ 5,938		
-	US\$ 5,001	N/A	US\$ 5,052		
-	US\$ 5,000	N/A	US\$ 4,991		
-	US\$ 513	N/A	US\$ 511		
-	US\$ 3,500	N/A	US\$ 3,468		
-	US\$ 1,414	N/A	US\$ 1,413		
-	US\$ 988	N/A	US\$ 988		
-	US\$ 3,570	N/A	US\$ 3,566		
-	US\$ 2,526	N/A	US\$ 2,502		
-	US\$ 1,460	N/A	US\$ 1,460		
-	US\$ 1,500	N/A	US\$ 1,502		
-	US\$ 1,000	N/A	US\$ 1,001		
-	US\$ 1,206	N/A	US\$ 1,207		
-	US\$ 4,928	N/A	US\$ 4,889		
-	US\$ 7,000	N/A	US\$ 6,958		
-	US\$ 4,999	N/A	US\$ 4,993		
-	US\$ 4,853	N/A	US\$ 4,872		
-	US\$ 963	N/A	US\$ 961		
-	US\$ 4,913	N/A	US\$ 4,933		
-	US\$ 4,204	N/A	US\$ 4,201		
-	US\$ 3,992	N/A	US\$ 3,982		
-	US\$ 5,185	N/A	US\$ 5,117		
-	US\$ 3,731	N/A	US\$ 3,672		
-	US\$ 3,000	N/A	US\$ 2,980		
-	US\$ 3,659	N/A	US\$ 3,631		
-	US\$ 2,504	N/A	US\$ 2,513		
-	US\$ 1,960	N/A	US\$ 1,955		
-	US\$ 1,488	N/A	US\$ 1,486		
-	US\$ 2,000	N/A	US\$ 2,000		
-	US\$ 3,500	N/A	US\$ 3,500		
-	US\$ 3,037	N/A	US\$ 3,031		
-	US\$ 1,403	N/A	US\$ 1,394		
-	US\$ 1,921	N/A	US\$ 1,923		
-	US\$ 4,970	N/A	US\$ 4,930		
-	US\$ 5,042	N/A	US\$ 4,997		
-	US\$ 7,736	N/A	US\$ 7,715		
-	US\$ 4,000	N/A	US\$ 3,991		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account
	Wachovia Auto Owner Tr	-	Short-term investment
	Wachovia Auto Owner Tr	-	Short-term investment
	WFS Financial Owner Trust	-	Short-term investment
	WFS Finl 2004 2 Owner Tr	-	Short-term investment
	WFS Finl 2004 4 Owner Tr	-	Short-term investment
	Whole Auto Ln Tr	-	Short-term investment
	Whole Auto Ln Tr	-	Short-term investment
	Whole Auto Ln Tr	-	Short-term investment
	World Omni Auto Receivables Tr	-	Short-term investment
	<u>Commercial papers</u>		Short-term investment
	<u>Corporate issued notes</u>		Short-term investment
	<u>Money market funds</u>		Short-term investment
	<u>Equity</u>		
	Horizon Venture Fund I, L.P.	-	Long-term investment
	Crimson Asia Capital Ltd., L.P.	-	Long-term investment
TSMC - North America	TSMC stock	Parent company	Short-term investment
Chi Cherng	TSMC stock	Parent company	Short-term investment
Hsin Ruey	TSMC stock	Parent company	Short-term investment
TSMC International	<u>Money market fund</u> BOA Fund	-	Short-term investment
	<u>Stock</u>		
	InveStar	Subsidiary	Long-term investment
	InveStar II	Subsidiary	Long-term investment
	TSMC Development	Subsidiary	Long-term investment
	TSMC Technology	Subsidiary	Long-term investment
	3DFX Interactive Inc.	-	Long-term investment
TSMC Development	WaferTech stock	Subsidiary	Long-term investment
InveStar	<u>Common stock</u>		
	RichTek Technology Corp.	-	Short-term investment
	Advanced Power Electronics Corp.	-	Short-term investment
	Broadtek Electronics Corp.	-	Short-term investment
	Monolithic Power Systems, Inc.	-	Short-term investment
	SiRF Technology Holdings, Inc.	-	Short-term investment
	Broadtek Electronics Corp.	-	Long-term investment
	Programmable Microelectronics (Taiwan), Corp.	-	Long-term investment
	Global Testing Corp.	-	Long-term investment
	RichTek Technology Corp.	-	Long-term investment
	Signia Technologies, Inc.	-	Long-term investment
	Incentia Design Systems, Inc.	-	Long-term investment
	Advanced Power Electronics Corp.	-	Long-term investment
	Capella Microsystems (Taiwan), Inc.	-	Long-term investment
	<u>Preferred stock</u>		
	Integrated Memory Logic, Inc.	-	Long-term investment
	Sensory, Inc.	-	Long-term investment
	Sonics, Inc.	-	Long-term investment
	NanoAmp Solutions, Inc.	-	Long-term investment

December 31, 2004					Note
Shares/Units (in thousand)	Carrying Value (US\$ in thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in thousand)		
-	US\$ 6,000	N/A	US\$ 5,991		
-	US\$ 4,999	N/A	US\$ 4,995		
-	US\$ 5,008	N/A	US\$ 4,989		
-	US\$ 4,994	N/A	US\$ 4,992		
-	US\$ 5,399	N/A	US\$ 5,342		
-	US\$ 5,967	N/A	US\$ 5,966		
-	US\$ 4,000	N/A	US\$ 3,969		
-	US\$ 3,000	N/A	US\$ 2,964		
-	US\$ 5,963	N/A	US\$ 5,906		
-	US\$ 2,997	N/A	US\$ 2,997		
-	US\$ 1,999	N/A	US\$ 1,999		
-	US\$ 21,114	N/A	US\$ 21,114		
-	246,485	N/A	246,485		
-	43,649	N/A	43,649		
14,151	677,110	-	696,661		
15,670	458,564	-	771,451		
15,700	459,512	-	772,897		
30,300	US\$ 30,300	N/A	US\$ 30,300		
24,320	US\$ 34,514	97	US\$ 34,514		
51,300	US\$ 34,534	97	US\$ 34,534		
1	US\$ 603,993	100	US\$ 603,993		
1	US\$ 5,544	100	US\$ 5,544		
68	-	-	-		
-	US\$ 484,060	99	US\$ 484,060		
682	US\$ 67	-	US\$ 1,370		
1,108	US\$ 502	-	US\$ 697		
869	US\$ 275	-	US\$ 225		
1,975	US\$ 1,567	-	US\$ 19,910		
90	US\$ 393	-	US\$ 1,157		
145	US\$ 46	-	US\$ 38		
575	US\$ 208	1	US\$ 208		
13,268	US\$ 5,670	9	US\$ 5,670		
842	US\$ 83	1	US\$ 1,692		
701	US\$ 202	3	US\$ 202		
365	US\$ 92	1	US\$ 92		
1,123	US\$ 508	2	US\$ 706		
530	US\$ 154	4	US\$ 154		
1,831	US\$ 1,221	12	US\$ 1,221		
1,404	US\$ 125	6	US\$ 125		
2,686	US\$ 3,530	4	US\$ 3,530		
541	US\$ 853	2	US\$ 853		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account
InveStar II	Memsic, Inc.	-	Long-term investment
	Reflectivity, Inc.	-	Long-term investment
	IP Unity	-	Long-term investment
	Tropian, Inc.	-	Long-term investment
	<u>Common stock</u>		
	RichTek Technology Corp.	-	Short-term investment
	Monolithic Power Systems, Inc.	-	Short-term investment
	eChannel Option Holding, Inc.	-	Long-term investment
	eLCOS Microdisplay Technology, Ltd.	-	Long-term investment
	Signia Technologies, Inc.	-	Long-term investment
	Procoat Technology, Inc.	-	Long-term investment
	RichTek Technology Corp.	-	Long-term investment
	Programmable Microelectronics (Taiwan), Inc.	-	Long-term investment
	Auden Technology MFG. Co., Ltd.	-	Long-term investment
	GeoVision, Inc.	-	Long-term investment
	EoNex Technologies, Inc.	-	Long-term investment
	Conwise Technology Corporation, Ltd.	-	Long-term investment
	EON Technology, Corp.	-	Long-term investment
	Goyatek Technology, Corp.	-	Long-term investment
	Trendchip Technologies Corp.	-	Long-term investment
	Ralink Technology (Taiwan), Inc.	-	Long-term investment
	Silicon Data International Co., Inc.	-	Long-term investment
	Capella Microsystems (Taiwan), Inc.	-	Long-term investment
	<u>Preferred stock</u>		
	Memsic, Inc.	-	Long-term investment
	eLCOS Microdisplay Technology, Ltd.	-	Long-term investment
	NanoAmp Solutions, Inc.	-	Long-term investment
Advanced Analogic Technology, Inc.	-	Long-term investment	
Sonics, Inc.	-	Long-term investment	
Reflectivity, Inc.	-	Long-term investment	
Tropian, Inc.	-	Long-term investment	
Kilopass Technologies, Inc.	-	Long-term investment	
FangTek, Inc.	-	Long-term investment	
Alchip Technologies Limited	-	Long-term investment	
Emerging Alliance	<u>Common stock</u>		
	Global Investment Holding, Inc.	-	Long-term investment
	RichWave Technology Corp.	-	Long-term investment
	NetLogic Microsystems, Inc.	-	Long-term investment
	<u>Preferred stock</u>		
	Quake Technologies, Inc.	-	Long-term investment
	Pixim, Inc.	-	Long-term investment
	Newport Opticom, Inc.	-	Long-term investment
	Ikanos Communication, Inc.	-	Long-term investment
	Quicksilver Technology, Inc.	-	Long-term investment
	Mosaic Systems, Inc.	-	Long-term investment
	Zenesis Technologies, Inc.	-	Long-term investment
	Reflectivity, Inc.	-	Long-term investment
	Teknovus, Inc.	-	Long-term investment
	Miradia, Inc. (Formerly XHP Microsystems, Inc.)	-	Long-term investment
	Axiom Microdevices, Inc.	-	Long-term investment
	Optichron, Inc.	-	Long-term investment
	Audience, Inc.	-	Long-term investment
	Next IO, Inc.	-	Long-term investment
	NuCORE Technology Inc.	-	Long-term investment

December 31, 2004					Note
Shares/Units (in thousand)	Carrying Value (US\$ in thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in thousand)		
2,727	US\$ 1,500	10	US\$ 1,500		
1,064	US\$ 741	2	US\$ 741		
1,008	US\$ 494	2	US\$ 494		
1,758	US\$ 471	3	US\$ 471		
321	US\$ 184	-	US\$ 645		
864	US\$ 2,081	-	US\$ 8,716		
358	US\$ 251	4	US\$ 251		
270	US\$ 27	1	US\$ 27		
351	US\$ 101	1	US\$ 101		
5,123	US\$ 1,940	10	US\$ 1,940		
395	US\$ 226	1	US\$ 794		
177	US\$ 50	-	US\$ 50		
953	US\$ 738	4	US\$ 738		
471	US\$ 127	1	US\$ 127		
55	US\$ 3,048	5	US\$ 3,048		
2,800	US\$ 490	14	US\$ 490		
3,276	US\$ 1,175	8	US\$ 1,175		
2,088	US\$ 545	7	US\$ 545		
2,000	US\$ 861	5	US\$ 861		
1,833	US\$ 791	3	US\$ 791		
2,000	US\$ 204	3	US\$ 204		
419	US\$ 122	3	US\$ 122		
2,289	US\$ 1,560	8	US\$ 1,560		
2,667	US\$ 3,500	15	US\$ 3,500		
375	US\$ 1,500	1	US\$ 1,500		
948	US\$ 1,261	2	US\$ 1,261		
1,582	US\$ 3,082	5	US\$ 3,082		
4,255	US\$ 2,205	5	US\$ 2,205		
1,464	US\$ 393	2	US\$ 393		
3,887	US\$ 2,000	19	US\$ 2,000		
6,806	US\$ 3,250	34	US\$ 3,250		
2,579	US\$ 2,950	18	US\$ 2,950		
10,000	100,000	6	100,000		
2,600	US\$ 867	13	US\$ 867		
113	US\$ 1,388	1	US\$ 1,388		
601	US\$ 450	1	US\$ 450		
1,721	US\$ 2,382	3	US\$ 2,382		
962	US\$ 250	6	US\$ 250		
7,446	US\$ 3,125	3	US\$ 3,125		
1,049	US\$ -	4	US\$ -		
2,481	US\$ 12	6	US\$ 12		
1,204	US\$ 699	4	US\$ 699		
4,848	US\$ 2,479	4	US\$ 2,479		
5,556	US\$ 1,000	3	US\$ 1,000		
3,040	US\$ 1,000	4	US\$ 1,000		
1,000	US\$ 1,000	5	US\$ 1,000		
714	US\$ 1,000	6	US\$ 1,000		
1,654	US\$ 250	2	US\$ 250		
800	US\$ 500	2	US\$ 500		
2,254	US\$ 1,455	2	US\$ 1,455		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account
VTAF II	Centrality Communications, Inc.	-	Long-term investment
	Layer N Networks, Inc.	-	Long-term investment
	<u>Common stock</u>		
	Yobon Technologies, Inc.	-	Long-term investment
	Sentelic, Corp.	-	Long-term investment
	Ivion Technology, Inc.	-	Long-term investment
	<u>Preferred stock</u>		
	Powerprecise Solutions, Inc.	-	Long-term investment
	Tzero Technologies, Inc.	-	Long-term investment
	Miradia, Inc.	-	Long-term investment
GUC	Agelia Technologies, Inc.	-	Long-term investment
	Audience, Inc.	-	Long-term investment
	Axiom Microdevices, Inc.	-	Long-term investment
	Next IO, Inc.	-	Long-term investment
	<u>Bond funds</u>		
	Grand Cathay	-	Short-term investment
	TIIM	-	Short-term investment
	Polaris De Li	-	Short-term investment
	EnTrust Kirin	-	Short-term investment
	E. Sun New Era	-	Short-term investment
	Jih Sun	-	Short-term investment
	EnTrust Phoenix	-	Short-term investment
	Transcend Fortune	-	Short-term investment
	<u>Stock funds</u>		
	TIIM DaLi	-	Short-term investment
	UPAMC Global Select Fund of Funds	-	Short-term investment
	Sheng Hua 9966 Balance	-	Short-term investment
<u>Stock</u>			
Global Unichip Corporation - NA	Subsidiary	Long-term investment	

December 31, 2004					Note
Shares/Units (in thousand)	Carrying Value (US\$ in thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in thousand)		
809	US\$ 1,000	2	US\$ 1,000		
1,905	US\$ 1,000	2	US\$ 1,000		
1,675	US\$ 787	17	US\$ 787		
600	US\$ 1,022	15	US\$ 1,022		
200	US\$ 775	10	US\$ 775		
258	US\$ 250	3	US\$ 250		
244	US\$ 500	2	US\$ 500		
1,809	US\$ 1,600	2	US\$ 1,600		
1,149	US\$ 1,000	2	US\$ 1,000		
531	US\$ 102	1	US\$ 102		
686	US\$ 700	5	US\$ 700		
216	US\$ 182	-	US\$ 182		
3,608	45,543	N/A	45,544		
703	9,698	N/A	9,698		
1,550	22,800	N/A	22,800		
2,106	22,697	N/A	22,698		
1,920	20,313	N/A	20,314		
772	10,262	N/A	10,262		
2,081	30,563	N/A	30,564		
1,936	22,947	N/A	22,948		
296	5,000	N/A	4,474		
336	3,364	N/A	3,378		
300	3,000	N/A	3,011		
100	3,375	100	3,375		

(Concluded)

TABLE 4

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR
20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2004

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

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship
The Company	<u>Money market funds</u>			
	BOA Fund	Short-term investment	BOA	-
	GS Fund	Short-term investment	Goldman Sachs	-
	<u>Bond funds</u>			
	JF Taiwan Bond Fund	Short-term investment	JF Asset Management (Taiwan) Ltd.	-
	ABN AMRO Bond Fund	Short-term investment	ABN AMRO	-
	ABN AMRO Select Bond Fund	Short-term investment	ABN AMRO	-
	JF Taiwan First Bond Fund	Short-term investment	JF Asset Management (Taiwan) Ltd.	-
	INVESCO R.O.C Bond A Fund	Short-term investment	INVESCO Asset Management Taiwan	-
	Dresdner Bond DAM Fund	Short-term investment	Allianz Dresdner Securities Investment Consulting Co., Ltd.	-
	Barits Bond Fund	Short-term investment	Barits Securities Investment Trust Co., Ltd.	-
	Shin Kong Chi Shin Bond Fund	Short-term investment	Shinkong Investment Trust Co., Ltd.	-
	NITC Bond Fund	Short-term investment	National Investment Trust Co., Ltd.	-
	HSBC NTD Money Management Fund	Short-term investment	HSBC Asset Management (Taiwan) Ltd.	-
	<u>Bonds under repurchase agreement</u>	Short-term investment	Chung Shing Bills Finance Corp. and several financial institutions	-
	<u>Government bonds</u>			
	1994 Government Bond Series C	Short-term investment	Chung Shing Bills Finance Corp. and several financial institutions	-
	2002 Government Bond Series A	Short-term investment	BNP and several financial institutions	-
	2002 Government Bond Series E	Short-term investment	BNP and several financial institutions	-
	2002 Government Bond Series J	Short-term investment	BNP and several financial institutions	-
	2003 Government Bond Series A	Short-term investment	BNP and several financial institutions	-
	United States Treas NTS	Short-term investment	-	-
	2003 Government Bond Series I	Long-term investment	FCB and several financial institutions	-
	2004 Government Bond Series A	Long-term investment	China Bills Finance Corp. and several financial institutions	-
	2004 Government Bond Series E	Long-term investment	BNP and several financial institutions	-
	2004 Kaohsiung Municipal Bond Series A	Long-term investment	KGI Securities Co., Ltd. and several financial institutions	-
	<u>Corporate bonds</u>			
	Taiwan Power Company	Short-term investment	KGI Securities Co., Ltd.	-
	Allstate Finl Global Fdg LLC	Short-term investment	-	-
	American Express Co.	Short-term investment	-	-
	American Express Cr Corp. Mtn	Short-term investment	-	-
	American Gen Fin Corp. Mtn	Short-term investment	-	-
	American Gen Fin Corp. Mtn	Short-term investment	-	-
	American Honda Fin Corp. Mtn	Short-term investment	-	-
	American Honda Fin Corp. Mtn	Short-term investment	-	-
	American Honda Fin Corp. Mtn	Short-term investment	-	-
	American Intl Group Inc. Mtnf	Short-term investment	-	-
	Amgen Inc.	Short-term investment	-	-
	Bank New York Inc.	Short-term investment	-	-
	Bank One Corp.	Short-term investment	-	-
	Bear Stearns Cos Inc.	Short-term investment	-	-
	Bear Stearns Cos Inc.	Short-term investment	-	-
Bear Stearns Cos Inc. Medium Te	Short-term investment	-	-	
Bristol Myers Squibb Co.	Short-term investment	-	-	
Brown Forman Corp.	Short-term investment	-	-	
Cardinal Health Inc.	Short-term investment	-	-	
Cit Group Hldgs Inc.	Short-term investment	-	-	
Citigroup Inc.	Short-term investment	-	-	
Compaq Computer Corp.	Short-term investment	-	-	

Beginning Balance		Acquisition		Disposal				Ending Balance	
Shares/Units (in thousand)	Amount (US\$ in thousand)	Shares/Units (in thousand)	Amount (US\$ in thousand)	Shares/Units (thousand)	Amount (US\$ in thousand)	Carrying Value (US\$ in thousand)	Gain (Loss) on Disposal (US\$ in thousand)	Shares/Units (in thousand)	Amount (US\$ in thousand) (Note 1)
40,000	\$ 1,359,120 (US\$ 40,000)	-	\$ -	40,000	\$ 1,359,120 (US\$ 40,000)	\$ 1,359,120 (US\$ 40,000)	\$ -	-	\$ -
20,000	679,560 (US\$ 20,000)	-	-	20,000	679,560 (US\$ 20,000)	679,560 US\$ 20,000)	-	-	-
34,343	500,000	68,021	1,000,000	23,666	350,000	346,791	3,209	78,698	1,153,209
34,794	500,000	165,257	2,400,000	65,145	950,000	943,825	6,175	134,906	1,956,175
-	-	18,235	200,000	-	-	-	-	18,235	200,000
-	-	110,580	1,500,000	25,694	350,000	348,537	1,463	84,886	1,151,463
-	-	93,975	1,350,000	17,270	250,000	248,089	1,911	76,705	1,101,911
-	-	80,833	900,000	-	-	-	-	80,833	900,000
-	-	76,640	900,000	-	-	-	-	76,640	900,000
-	-	151,594	2,100,000	-	-	-	-	151,594	2,100,000
-	-	3,764	600,000	-	-	-	-	3,764	600,000
-	-	41,568	600,000	-	-	-	-	41,568	600,000
-	1,800,000	-	2,577,163	-	4,127,714	4,127,714	-	-	249,449
-	1,422,197	-	-	-	1,427,762	1,422,197	5,565	-	-
-	3,157,331	-	-	-	3,169,750	3,157,331	12,419	-	-
-	3,113,066	-	-	-	3,133,875	3,113,066	20,809	-	-
-	-	-	2,023,206	-	2,031,500	2,023,206	8,294	-	-
-	-	-	1,207,409	-	-	-	-	-	1,207,409
-	-	-	US\$ 699,398	-	US\$ 506,162	US\$ 507,041	US\$ (879)	-	US\$ 192,357
-	-	-	3,402,213	-	-	-	-	-	3,397,081
-	-	-	2,349,573	-	-	-	-	-	2,349,573
-	-	-	3,890,925	-	-	-	-	-	3,893,827
-	-	-	620,000	-	-	-	-	-	620,000
-	-	-	2,777,798	-	-	-	-	-	2,777,798
-	-	-	US\$ 3,171	-	-	-	-	-	US\$ 3,171
-	-	-	US\$ 3,550	-	-	-	-	-	US\$ 3,550
-	-	-	US\$ 3,503	-	US\$ 3,504	US\$ 3,503	US\$ 1	-	-
-	-	-	US\$ 3,130	-	-	-	-	-	US\$ 3,130
-	-	-	US\$ 3,702	-	-	-	-	-	US\$ 3,702
-	-	-	US\$ 3,509	-	US\$ 3,509	US\$ 3,509	-	-	-
-	-	-	US\$ 3,750	-	US\$ 3,755	US\$ 3,750	US\$ 5	-	-
-	-	-	US\$ 3,800	-	-	-	-	-	US\$ 3,800
-	-	-	US\$ 3,795	-	-	-	-	-	US\$ 3,795
-	-	-	US\$ 3,005	-	-	-	-	-	US\$ 3,005
-	-	-	US\$ 3,945	-	-	-	-	-	US\$ 3,945
-	-	-	US\$ 3,693	-	US\$ 3,695	US\$ 3,693	US\$ 2	-	-
-	-	-	US\$ 3,805	-	US\$ 3,816	US\$ 3,805	US\$ 11	-	-
-	-	-	US\$ 3,518	-	-	-	-	-	US\$ 3,518
-	-	-	US\$ 3,105	-	-	-	-	-	US\$ 3,105
-	-	-	US\$ 3,819	-	-	-	-	-	US\$ 3,819
-	-	-	US\$ 3,277	-	US\$ 3,280	US\$ 3,277	US\$ 3	-	-
-	-	-	US\$ 3,837	-	US\$ 3,795	US\$ 3,837	US\$ (42)	-	-
-	-	-	US\$ 3,203	-	-	-	-	-	US\$ 3,203
-	-	-	US\$ 3,583	-	-	-	-	-	US\$ 3,583
-	-	-	US\$ 3,719	-	-	-	-	-	US\$ 3,719

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship
	Consolidated Edison Co. NY Inc.	Short-term investment	-	-
	Countrywide Fdg Corp. Mtn	Short-term investment	-	-
	Countrywide Home Lns Inc.	Short-term investment	-	-
	Credit Suisse First Boston USA	Short-term investment	-	-
	Dell Computer Corp.	Short-term investment	-	-
	Diageo PLC	Short-term investment	-	-
	European Invt Bk	Short-term investment	-	-
	Federal Home Ln Mtg Corp	Short-term investment	-	-
	Federal Home Loan Mtg Assn	Short-term investment	-	-
	First Data Corp.	Short-term investment	-	-
	General Elec Cap Corp. Mtn	Short-term investment	-	-
	General Elec Cap Corp. Mtn	Short-term investment	-	-
	General Elec Cap Corp. Mtn	Short-term investment	-	-
	Genworth Finl Inc.	Short-term investment	-	-
	Goldman Sachs Group Inc Mtn	Short-term investment	-	-
	Goldman Sachs Group LP	Short-term investment	-	-
	Hewlett Packard Co.	Short-term investment	-	-
	Honeywell Inc.	Short-term investment	-	-
	Household Fin Corp.	Short-term investment	-	-
	Household Fin Corp. Mtn Bk Ent	Short-term investment	-	-
	Huntington Natl Bk	Short-term investment	-	-
	ING Sec Life Ins Ingsf	Short-term investment	-	-
	Intl Bk For Recon + Dev	Short-term investment	-	-
	JP Morgan Chase + Co.	Short-term investment	-	-
	JP Morgan Chase + Co.	Short-term investment	-	-
	JP Morgan Chase + Co.	Short-term investment	-	-
	Keycorp Mtn Book Entry	Short-term investment	-	-
	KFW Intl Fin Inc.	Short-term investment	-	-
	Lehman Brothers Hldgs Inc.	Short-term investment	-	-
	Lehman Brothers Hldgs Inc.	Short-term investment	-	-
	Lilly Eli + Co.	Short-term investment	-	-
	Merrill Lynch + Co Inc.	Short-term investment	-	-
	Merrill Lynch + Co Inc.	Short-term investment	-	-
	Monumental Global Fdg II 2002A	Short-term investment	-	-
	Morgan Stanley Group Inc.	Short-term investment	-	-
	Morgan Stanley Group Inc.	Short-term investment	-	-
	Nationsbank Corp.	Short-term investment	-	-
	Nationwide Bldg Soc	Short-term investment	-	-
	Nationwide Life Global Mtn	Short-term investment	-	-
	Pepsico Inc. Mtn Book Entry	Short-term investment	-	-
	Popular North Amer Inc Mtn	Short-term investment	-	-
	Pricoa Global Fdg I Mtn	Short-term investment	-	-
	Pricoa Global Fdg I Mtn	Short-term investment	-	-
	Principal Life Global Fdg I Gl	Short-term investment	-	-
	Salomon Smith Barney Hldgs Inc.	Short-term investment	-	-
	SBC Communications Inc.	Short-term investment	-	-
	Shell Finance (UK) PLC	Short-term investment	-	-
	TIAA Global Mkts Inc.	Short-term investment	-	-
	Unitedhealth Group Inc.	Short-term investment	-	-
	Viacom Inc.	Short-term investment	-	-
	Viacom Inc.	Short-term investment	-	-
	Wachovia Corp.	Short-term investment	-	-
	Walmart Cda Venture Corp.	Short-term investment	-	-
	Washington Mut Fin Corp.	Short-term investment	-	-
	Washington Mut Inc.	Short-term investment	-	-
	Washington Post Co.	Short-term investment	-	-
	Wells Fargo + Co. New	Short-term investment	-	-
	China Steel Corporation	Long-term investment	Chung Shing Bills Finance Corp.	-
	Taiwan Power Company	Long-term investment	BNP and several financial institutions	-
	Nan Ya Plastics Corporation	Long-term investment	Chung Shing Bills Finance Corp.	-
	Formosa Plastics Corporation	Long-term investment	Chung Shing Bills Finance Corp.	-
	Formosa Petrochemical Corporation	Long-term investment	Chung Shing Bills Finance Corp.	-
	<u>Agency bonds</u>			
	Federal Home Ln Mtg Corp.	Short-term investment	-	-
	Federal Home Ln Mtg Corp.	Short-term investment	-	-

Beginning Balance		Acquisition		Disposal				Ending Balance	
Shares/Units (in thousand)	Amount (US\$ in thousand)	Shares/Units (in thousand)	Amount (US\$ in thousand)	Shares/Units (in thousand)	Amount (US\$ in thousand)	Carrying Value (US\$ in thousand)	Gain (Loss) on Disposal (US\$ in thousand)	Shares/Units (in thousand)	Amount (US\$ in thousand) (Note 1)
-	\$ -	-	US\$ 3,687	-	\$ -	\$ -	\$ -	-	US\$ 3,687
-	-	-	US\$ 3,534	-	US\$ 3,540	US\$ 3,534	US\$ 6	-	-
-	-	-	US\$ 5,210	-	-	-	-	-	US\$ 5,210
-	-	-	US\$ 3,177	-	US\$ 3,188	US\$ 3,177	US\$ 11	-	-
-	-	-	US\$ 3,054	-	-	-	-	-	US\$ 3,054
-	-	-	US\$ 3,459	-	-	-	-	-	US\$ 3,459
-	-	-	US\$ 8,315	-	-	-	-	-	US\$ 8,315
-	-	-	US\$ 4,237	-	-	-	-	-	US\$ 4,237
-	-	-	US\$ 4,847	-	-	-	-	-	US\$ 4,847
-	-	-	US\$ 3,013	-	-	-	-	-	US\$ 3,013
-	-	-	US\$ 3,507	-	US\$ 3,498	US\$ 3,507	US\$ (9)	-	-
-	-	-	US\$ 3,467	-	-	-	-	-	US\$ 3,467
-	-	-	US\$ 3,886	-	-	-	-	-	US\$ 3,886
-	-	-	US\$ 3,412	-	-	-	-	-	US\$ 3,412
-	-	-	US\$ 3,505	-	-	-	-	-	US\$ 3,505
-	-	-	US\$ 3,820	-	-	-	-	-	US\$ 3,820
-	-	-	US\$ 3,373	-	-	-	-	-	US\$ 3,373
-	-	-	US\$ 3,284	-	-	-	-	-	US\$ 3,284
-	-	-	US\$ 3,712	-	US\$ 3,633	US\$ 3,712	US\$ (79)	-	-
-	-	-	US\$ 3,542	-	-	-	-	-	US\$ 3,542
-	-	-	US\$ 3,003	-	-	-	-	-	US\$ 3,003
-	-	-	US\$ 3,012	-	-	-	-	-	US\$ 3,012
-	-	-	US\$ 5,232	-	-	-	-	-	US\$ 5,232
-	-	-	US\$ 3,638	-	US\$ 3,601	US\$ 3,638	US\$ (37)	-	-
-	-	-	US\$ 3,128	-	-	-	-	-	US\$ 3,128
-	-	-	US\$ 3,663	-	-	-	-	-	US\$ 3,663
-	-	-	US\$ 3,500	-	-	-	-	-	US\$ 3,500
-	-	-	US\$ 5,104	-	-	-	-	-	US\$ 5,104
-	-	-	US\$ 3,417	-	US\$ 3,381	US\$ 3,417	US\$ (36)	-	-
-	-	-	US\$ 3,705	-	-	-	-	-	US\$ 3,705
-	-	-	US\$ 3,750	-	-	-	-	-	US\$ 3,750
-	-	-	US\$ 3,497	-	US\$ 3,498	US\$ 3,497	US\$ 1	-	-
-	-	-	US\$ 3,486	-	-	-	-	-	US\$ 3,486
-	-	-	US\$ 3,129	-	-	-	-	-	US\$ 3,129
-	-	-	US\$ 5,741	-	-	-	-	-	US\$ 5,741
-	-	-	US\$ 4,763	-	US\$ 3,713	US\$ 3,713	-	-	US\$ 1,050
-	-	-	US\$ 3,644	-	-	-	-	-	US\$ 3,644
-	-	-	US\$ 3,457	-	-	-	-	-	US\$ 3,457
-	-	-	US\$ 3,413	-	-	-	-	-	US\$ 3,413
-	-	-	US\$ 3,818	-	-	-	-	-	US\$ 3,818
-	-	-	US\$ 3,042	-	-	-	-	-	US\$ 3,042
-	-	-	US\$ 3,507	-	-	-	-	-	US\$ 3,507
-	-	-	US\$ 3,050	-	-	-	-	-	US\$ 3,050
-	-	-	US\$ 3,168	-	-	-	-	-	US\$ 3,168
-	-	-	US\$ 3,160	-	-	-	-	-	US\$ 3,160
-	-	-	US\$ 3,681	-	-	-	-	-	US\$ 3,681
-	-	-	US\$ 3,604	-	-	-	-	-	US\$ 3,604
-	-	-	US\$ 3,631	-	US\$ 3,131	US\$ 3,112	US\$ 19	-	US\$ 519
-	-	-	US\$ 3,119	-	-	-	-	-	US\$ 3,119
-	-	-	US\$ 3,177	-	US\$ 3,135	US\$ 3,177	US\$ (42)	-	-
-	-	-	US\$ 3,172	-	US\$ 3,175	US\$ 3,172	US\$ 3	-	-
-	-	-	US\$ 3,720	-	-	-	-	-	US\$ 3,720
-	-	-	US\$ 3,670	-	-	-	-	-	US\$ 3,670
-	-	-	US\$ 4,768	-	-	-	-	-	US\$ 4,768
-	-	-	US\$ 4,735	-	-	-	-	-	US\$ 4,735
-	-	-	US\$ 3,182	-	-	-	-	-	US\$ 3,182
-	-	-	US\$ 3,697	-	-	-	-	-	US\$ 3,697
-	-	-	2,997,430	-	-	-	-	-	2,978,804
-	-	-	950,646	-	-	-	-	-	915,276
-	-	-	408,538	-	-	-	-	-	407,526
-	-	-	406,245	-	-	-	-	-	405,485
-	-	-	202,980	-	-	-	-	-	202,595
-	-	-	US\$ 6,096	-	-	-	-	-	US\$ 6,096
-	-	-	US\$ 4,725	-	-	-	-	-	US\$ 4,725

(Continued)

Beginning Balance		Acquisition		Disposal				Ending Balance	
Shares/Units (in thousand)	Amount (US\$ in thousand)	Shares/Units (in thousand)	Amount (US\$ in thousand)	Shares/Units (in thousand)	Amount (US\$ in thousand)	Carrying Value (US\$ in thousand)	Gain (Loss) on Disposal (US\$ in thousand)	Shares/Units (in thousand)	Amount (US\$ in thousand) (Note 1)
-	\$ -	-	US\$ 3,558	-	-	-	-	-	US\$ 3,558
-	-	-	US\$ 5,861	-	-	-	-	-	US\$ 5,861
-	-	-	US\$ 3,393	-	-	-	-	-	US\$ 3,393
-	-	-	US\$ 6,130	-	-	-	-	-	US\$ 6,130
-	-	-	US\$ 6,371	-	-	-	-	-	US\$ 6,371
-	-	-	US\$ 7,000	-	-	-	-	-	US\$ 7,000
-	-	-	US\$ 5,014	-	-	-	-	-	US\$ 5,014
-	-	-	US\$ 3,817	-	-	-	-	-	US\$ 3,817
-	-	-	US\$ 4,829	-	US\$ 4,829	US\$ 4,829	-	-	-
-	-	-	US\$ 4,473	-	-	-	-	-	US\$ 4,473
-	-	-	US\$ 3,466	-	-	-	-	-	US\$ 3,466
-	-	-	US\$ 5,210	-	US\$ 4,153	US\$ 4,168	US\$ (15)	-	US\$ 1,042
-	-	-	US\$ 4,927	-	-	-	-	-	US\$ 4,927
-	-	-	US\$ 14,938	-	US\$ 6,980	US\$ 6,976	US\$ 4	-	US\$ 7,962
-	-	-	US\$ 7,014	-	-	-	-	-	US\$ 7,014
-	-	-	US\$ 4,936	-	-	-	-	-	US\$ 4,936
-	-	-	US\$ 9,956	-	US\$ 9,967	US\$ 9,956	US\$ 11	-	-
-	-	-	US\$ 5,264	-	US\$ 5,286	US\$ 5,264	US\$ 22	-	-
-	-	-	US\$ 4,948	-	-	-	-	-	US\$ 4,948
-	-	-	US\$ 7,018	-	-	-	-	-	US\$ 7,018
-	-	-	US\$ 9,993	-	US\$ 5,000	US\$ 4,997	US\$ 3	-	US\$ 4,996
-	-	-	US\$ 7,042	-	-	-	-	-	US\$ 7,042
-	-	-	US\$ 6,098	-	-	-	-	-	US\$ 6,098
-	-	-	US\$ 13,953	-	-	-	-	-	US\$ 13,953
-	-	-	US\$ 13,983	-	-	-	-	-	US\$ 13,983
-	-	-	US\$ 13,981	-	-	-	-	-	US\$ 13,981
-	-	-	US\$ 6,978	-	-	-	-	-	US\$ 6,978
-	-	-	US\$ 3,388	-	-	-	-	-	US\$ 3,388
-	-	-	US\$ 4,907	-	US\$ 4,981	US\$ 4,907	US\$ 74	-	-
-	-	-	US\$ 4,953	-	-	-	-	-	US\$ 4,953
-	-	-	US\$ 9,997	-	-	-	-	-	US\$ 9,997
-	-	-	US\$ 9,971	-	US\$ 9,942	US\$ 9,971	US\$ (29)	-	-
-	-	-	US\$ 11,984	-	US\$ 10,965	US\$ 10,986	US\$ (21)	-	US\$ 998
-	-	-	US\$ 4,933	-	-	-	-	-	US\$ 4,933
-	-	-	US\$ 4,930	-	-	-	-	-	US\$ 4,930
-	-	-	US\$ 4,903	-	-	-	-	-	US\$ 4,903
-	-	-	US\$ 11,036	-	US\$ 10,997	US\$ 11,036	US\$ (39)	-	-
-	-	-	US\$ 10,496	-	US\$ 10,430	US\$ 10,496	US\$ (66)	-	-
-	-	-	US\$ 5,270	-	-	-	-	-	US\$ 5,270
-	-	-	US\$ 4,982	-	US\$ 4,983	US\$ 4,982	US\$ 1	-	-
-	-	-	US\$ 6,940	-	-	-	-	-	US\$ 6,940
-	-	-	US\$ 4,867	-	US\$ 4,938	US\$ 4,867	US\$ 71	-	-
-	-	-	US\$ 6,903	-	-	-	-	-	US\$ 6,903
-	-	-	US\$ 4,981	-	-	-	-	-	US\$ 4,981
-	-	-	US\$ 6,997	-	-	-	-	-	US\$ 6,997
-	-	-	US\$ 4,993	-	US\$ 4,993	US\$ 4,993	-	-	-
-	-	-	US\$ 5,000	-	-	-	-	-	US\$ 5,000
-	-	-	US\$ 15,787	-	-	-	-	-	US\$ 15,787
-	-	-	US\$ 4,929	-	-	-	-	-	US\$ 4,929
-	-	-	US\$ 16,000	-	US\$ 16,000	US\$ 16,000	-	-	-
-	-	-	US\$ 4,955	-	-	-	-	-	US\$ 4,955
-	-	-	US\$ 3,445	-	-	-	-	-	US\$ 3,445
-	-	-	US\$ 4,949	-	-	-	-	-	US\$ 4,949
-	-	-	US\$ 5,503	-	-	-	-	-	US\$ 5,503
-	-	-	US\$ 4,030	-	-	-	-	-	US\$ 4,030
-	-	-	US\$ 4,023	-	-	-	-	-	US\$ 4,023
-	-	-	US\$ 4,978	-	-	-	-	-	US\$ 4,978
-	-	-	US\$ 4,298	-	-	-	-	-	US\$ 4,298
-	-	-	US\$ 8,383	-	-	-	-	-	US\$ 8,383
-	-	-	US\$ 7,419	-	-	-	-	-	US\$ 7,419
-	-	-	US\$ 4,627	-	-	-	-	-	US\$ 4,627
-	-	-	US\$ 3,093	-	US\$ 3,072	US\$ 3,093	US\$ (21)	-	-
-	-	-	US\$ 4,957	-	-	-	-	-	US\$ 4,957
-	-	-	US\$ 5,032	-	US\$ 5,000	US\$ 5,032	US\$ (32)	-	-

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship
	Caterpillar Finl Asset Tr	Short-term investment	-	-
	Centex Home Equity Ln Tr	Short-term investment	-	-
	Cit Equip Coll Tr	Short-term investment	-	-
	Citibank Cr Card Issuance Tr	Short-term investment	-	-
	CHN Equip Tr	Short-term investment	-	-
	Comm 2004 Htl 1	Short-term investment	-	-
	Credit Suisse First Boston Mtg	Short-term investment	-	-
	CWABS Inc.	Short-term investment	-	-
	CWABS Inc.	Short-term investment	-	-
	CWALT Inc.	Short-term investment	-	-
	CWABS Inc.	Short-term investment	-	-
	CWABS Inc.	Short-term investment	-	-
	Daimlerchrysler Auto Tr	Short-term investment	-	-
	Daimlerchrysler Auto Tr	Short-term investment	-	-
	Daimlerchrysler Auto Tr	Short-term investment	-	-
	First Union Lehman Bros Mtg Tr	Short-term investment	-	-
	First USA Credit Cr Master Tr	Short-term investment	-	-
	Ford Cr Auto Owner Tr	Short-term investment	-	-
	GE Cap Cr Card Master Nt Tr	Short-term investment	-	-
	Granite Mtgs PLC	Short-term investment	-	-
	GS Mtg Secs Corp.	Short-term investment	-	-
	Harley Davidson Motorcycle Tr	Short-term investment	-	-
	Harley Davidson Motorcycle Tr	Short-term investment	-	-
	Holmes Fing No 8 PLC	Short-term investment	-	-
	Honda Auto Receivables	Short-term investment	-	-
	Hyundai Auto Receivables Tr	Short-term investment	-	-
	Impac Secd Assets Corp.	Short-term investment	-	-
	Monumentl Global Fdg II	Short-term investment	-	-
	Navistar Finl 2003 A Owner Tr	Short-term investment	-	-
	Nissan Auto Receivables	Short-term investment	-	-
	Nissan Auto Receivables Owner Tr	Short-term investment	-	-
	Nissan Auto Receivables Owner	Short-term investment	-	-
	ONYX Accep Owner Tr	Short-term investment	-	-
	Permanent Fing No 1 PLC	Short-term investment	-	-
	Providian Gateway Owner Tr	Short-term investment	-	-
	Providian Gateway Owner Tr	Short-term investment	-	-
	Reliant Energy Transition Bd	Short-term investment	-	-
	Residential Asset Mtg Prods	Short-term investment	-	-
	Residential Fdg Mtg Secs I Inc	Short-term investment	-	-
	Sequoia Mtg Tr	Short-term investment	-	-
	Structured Adj Rate Mtg Ln Tr	Short-term investment	-	-
	Toyota Auto Receivables 2003 B	Short-term investment	-	-
	Triad Auto Receivables Tr	Short-term investment	-	-
	TXU Elec Delivery Transition	Short-term investment	-	-
	USAA Auto Owner Tr	Short-term investment	-	-
	Wachovia Auto Owner Tr	Short-term investment	-	-
	Wachovia Auto Owner Tr	Short-term investment	-	-
	WFS Financial Owner Trust	Short-term investment	-	-
	WFS Finl 2002 4 Owner Tr	Short-term investment	-	-
	WFS Finl 2004 2 Owner Tr	Short-term investment	-	-
	WFS Finl 2004 4 Owner Tr	Short-term investment	-	-
	Whole Auto Ln Tr	Short-term investment	-	-
	Whole Auto Ln Tr	Short-term investment	-	-
	World Omni Auto Receivables Tr	Short-term investment	-	-
	World Omni Auto Receivables Tr	Short-term investment	-	-
	<u>Money market funds</u>	Short-term investment	-	-
InveStar	<u>Common stock</u> RichTek Technology Corp.	Short-term investment	-	-
	Atheros Communication, Inc.	Short-term investment	-	-
	Monolithic Power Systems, Inc.	Short-term investment	-	-
InveStar II	<u>Common stock</u> RichTek Technology Corp.	Short-term investment	-	-

Note: The ending balance included the recognition of the investment income (loss) by the equity method, the cumulative translation adjustments and the bond premium or discount amortization amount.

Beginning Balance		Acquisition		Disposal				Ending Balance	
Shares/Units (in thousand)	Amount (US\$ in thousand)	Shares/Units (in thousand)	Amount (US\$ in thousand)	Shares/Units (in thousand)	Amount (US\$ in thousand)	Carrying Value (US\$ in thousand)	Gain (Loss) on Disposal (US\$ in thousand)	Shares/Units (in thousand)	Amount (US\$ in thousand) (Note 1)
-	\$ -	-	US\$ 10,008	-	\$ -	\$ -	\$ -	-	US\$ 10,008
-	-	-	US\$ 3,500	-	-	-	-	-	US\$ 3,500
-	-	-	US\$ 4,999	-	-	-	-	-	US\$ 4,999
-	-	-	US\$ 4,959	-	-	-	-	-	US\$ 4,959
-	-	-	US\$ 5,000	-	-	-	-	-	US\$ 5,000
-	-	-	US\$ 4,600	-	-	-	-	-	US\$ 4,600
-	-	-	US\$ 5,000	-	-	-	-	-	US\$ 5,000
-	-	-	US\$ 5,000	-	-	-	-	-	US\$ 5,000
-	-	-	US\$ 3,500	-	-	-	-	-	US\$ 3,500
-	-	-	US\$ 4,718	-	-	-	-	-	US\$ 4,718
-	-	-	US\$ 3,129	-	-	-	-	-	US\$ 3,129
-	-	-	US\$ 4,040	-	-	-	-	-	US\$ 4,040
-	-	-	US\$ 4,991	-	-	-	-	-	US\$ 4,991
-	-	-	US\$ 4,982	-	-	-	-	-	US\$ 4,982
-	-	-	US\$ 4,897	-	-	-	-	-	US\$ 4,897
-	-	-	US\$ 4,177	-	-	-	-	-	US\$ 4,177
-	-	-	US\$ 5,011	-	-	-	-	-	US\$ 5,011
-	-	-	US\$ 10,999	-	-	-	-	-	US\$ 10,999
-	-	-	US\$ 4,000	-	US\$ 4,003	US\$ 4,000	US\$ 3	-	-
-	-	-	US\$ 5,000	-	-	-	-	-	US\$ 5,000
-	-	-	US\$ 4,000	-	-	-	-	-	US\$ 4,000
-	-	-	US\$ 4,000	-	-	-	-	-	US\$ 4,000
-	-	-	US\$ 5,999	-	-	-	-	-	US\$ 5,999
-	-	-	US\$ 5,001	-	-	-	-	-	US\$ 5,001
-	-	-	US\$ 5,000	-	-	-	-	-	US\$ 5,000
-	-	-	US\$ 3,500	-	-	-	-	-	US\$ 3,500
-	-	-	US\$ 4,000	-	-	-	-	-	US\$ 4,000
-	-	-	US\$ 3,500	-	-	-	-	-	US\$ 3,500
-	-	-	US\$ 4,928	-	-	-	-	-	US\$ 4,928
-	-	-	US\$ 7,000	-	-	-	-	-	US\$ 7,000
-	-	-	US\$ 4,999	-	-	-	-	-	US\$ 4,999
-	-	-	US\$ 4,853	-	-	-	-	-	US\$ 4,853
-	-	-	US\$ 4,913	-	-	-	-	-	US\$ 4,913
-	-	-	US\$ 5,102	-	US\$ 5,036	US\$ 5,102	US\$ (66)	-	-
-	-	-	US\$ 4,204	-	-	-	-	-	US\$ 4,204
-	-	-	US\$ 3,992	-	-	-	-	-	US\$ 3,992
-	-	-	US\$ 5,185	-	-	-	-	-	US\$ 5,185
-	-	-	US\$ 3,766	-	-	-	-	-	US\$ 3,766
-	-	-	US\$ 3,947	-	-	-	-	-	US\$ 3,947
-	-	-	US\$ 3,500	-	-	-	-	-	US\$ 3,500
-	-	-	US\$ 3,058	-	-	-	-	-	US\$ 3,058
-	-	-	US\$ 4,970	-	-	-	-	-	US\$ 4,970
-	-	-	US\$ 5,042	-	-	-	-	-	US\$ 5,042
-	-	-	US\$ 8,009	-	-	-	-	-	US\$ 8,009
-	-	-	US\$ 4,000	-	-	-	-	-	US\$ 4,000
-	-	-	US\$ 6,000	-	-	-	-	-	US\$ 6,000
-	-	-	US\$ 4,999	-	-	-	-	-	US\$ 4,999
-	-	-	US\$ 5,008	-	-	-	-	-	US\$ 5,008
-	-	-	US\$ 3,904	-	-	-	-	-	US\$ 3,904
-	-	-	US\$ 4,994	-	-	-	-	-	US\$ 4,994
-	-	-	US\$ 5,399	-	-	-	-	-	US\$ 5,399
-	-	-	US\$ 5,967	-	-	-	-	-	US\$ 5,967
-	-	-	US\$ 4,000	-	-	-	-	-	US\$ 4,000
-	-	-	US\$ 5,963	-	-	-	-	-	US\$ 5,963
-	-	-	US\$ 5,000	-	US\$ 4,986	US\$ 5,000	US\$ (14)	-	-
-	-	-	US\$ 21,114	-	-	-	-	-	US\$ 21,114
947	US\$ 121	-	-	1,595	US\$ 6,783	US\$ 184	US\$ 6,598	682	US\$ 67
1,205	US\$ 3,593	-	-	1,205	US\$ 8,972	US\$ 3,593	US\$ 5,379	-	-
2,521	US\$ 2,000	-	-	546	US\$ 4,318	US\$ 433	US\$ 3,885	1,975	US\$ 1,567
465	US\$ 346	-	-	768	US\$ 3,394	US\$ 519	US\$ 2,875	321	US\$ 184

(Concluded)

TABLE 5

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND SUBSIDIARIES
ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE
PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2004

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

Company Name	Types of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party
The Company	Fab. 12	April 21, 2004	\$ 1,484,370	By the construction progress	IDC Taiwan, Inc., Taiwan Branch (U.S.A.) CHRIST AG Allis Electric Co., Ltd. United Industry gas Corp., Ltd. United Industry gas Corp., Ltd. BOC EDWARDS, CMS Organo Corporation Marketch International Corp. Kanto Chemical Co., Inc. United Integrated Services Co., Ltd. United Integrated Services Co., Ltd. Marketch International Corp. Marketch International Corp. Marketch International Corp. IDC Taiwan, Inc., Taiwan Branch (U.S.A.)
	Fab. 12	April 21, 2004	420,168	By the construction progress	
	Fab. 12	April 22, 2004	224,800	By the construction progress	
	Fab. 12	May 12, 2004	340,307	By the construction progress	
	Fab. 12	May 12, 2004	116,181	By the construction progress	
	Fab. 12	May 12, 2004	133,092	By the construction progress	
	Fab. 12	June 17, 2004	165,208	By the construction progress	
	Fab. 12	July 2, 2004	225,744	By the construction progress	
	Fab. 12	July 8, 2004	100,767	By the construction progress	
	Fab. 12	July 8, 2004	466,833	By the construction progress	
	Fab. 14	August 3, 2004	300,000	By the construction progress	
	Fab. 12	August 5, 2004	122,969	By the construction progress	
	Fab. 12	August 5, 2004	185,984	By the construction progress	
	Fab. 12	August 5, 2004	182,060	By the construction progress	
	Fab. 12	October 15, 2004	105,299	By the construction progress	

TABLE 6

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND SUBSIDIARIES
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF
THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2004

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

Company Name	Related Party	Nature of Relationship	Transaction Details	
			Purchase/Sale	Amount
The Company	TSMC - North America Philips and its affiliates GUC WaferTech VIS SSMC	Subsidiary Major shareholder Investee Subsidiary Investee Investee	Sales	\$ 142,271,732
			Sales	5,463,565
			Sales	371,546
			Purchases	15,203,047
			Purchases	9,169,602
			Purchases	5,869,123

Nature of Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
	Owner	Relationship	Transfer Date	Amount			
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None

Transaction Details		Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
55	Net 30 days after invoice date	None	None	\$ 15,526,964	47	
2	Net 30 days after monthly closing	None	None	581,487	2	
-	Net 30 days after monthly closing	None	None	56,436	-	
34	Net 30 days after monthly closing	None	None	(913,107)	9	
13	Net 30 days after monthly closing	None	None	(1,533,938)	16	
21	Net 30 days after monthly closing	None	None	(207,794)	2	

TABLE 7

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND SUBSIDIARIES
RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE
PAID-IN CAPITAL
DECEMBER 31, 2004**

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

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate
The Company	TSMC - North America TSMC - Shanghai Philips and its affiliates	Subsidiary Subsidiary Major shareholder	\$ 15,526,964 1,473,365 581,487	38 days (Note) 49 days

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

TABLE 8

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND SUBSIDIARIES
NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES
SIGNIFICANT INFLUENCE
DECEMBER 31, 2004**

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

Investor Company	Investee Company	Location	Main Businesses and Products
The Company	TSMC - North America	San Jose, California, U.S.A.	Sales and marketing of integrated circuits and semiconductor devices
	TSMC - Europe	Amsterdam, the Netherlands	Marketing activities
	TSMC - Japan	Yokohama, Japan	Marketing activities
	TSMC - Shanghai	Shanghai, China	Manufacturing and marketing of integrated circuits and semiconductor devices
	VIS	Hsin-Chu, Taiwan	Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts
	TSMC International	Tortola, British Virgin Islands	Providing investment in companies involved in the design, manufacture, and other related business in the semiconductor industry
	Chi Cherng	Taipei, Taiwan	Investment activities
	Hsin Ruey	Taipei, Taiwan	Investment activities
	TSMC Partners	Tortola, British Virgin Islands	Investment activities
	SSMC	Singapore	Fabrication and supply of integrated circuits
	Emerging Alliance	Cayman Islands	Investing in new start-up technology companies
	GUC	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits
	VisEra	Hsin-Chu, Taiwan	Manufacturing, material wholesaling and retailing of electronic spare parts
	VTAF II	Cayman Islands	Investing in new start-up technology companies

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

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

Overdue			Amounts Received in Subsequent Period	Allowance for Bad Debts
Amount	Action Taken			
\$	5,044,202	-	\$ 6,013,414	\$ -
	145,146	Accelerate demand on account receivables	-	-
	7,136	-	13,726	-

Original Investment Amount		Balance as of December 31, 2004			Net Income (Loss) of the Investee	Investment Gain (Loss)(Note 2)	Note
December 31, 2004	December 31, 2003	Shares (in thousand)	Percentage of Ownership	Carrying Value (Note 1)			
\$ 333,178	\$ 333,178	11,000	100	\$ 502,242	\$ 120,587	\$ 112,543	Subsidiary
15,749	15,749	-	100	25,439	262	262	Subsidiary
83,760	83,760	6	100	102,572	2,919	2,919	Subsidiary
9,187,962	1,890,952	-	100	8,113,511	(727,036)	(727,036)	Subsidiary
8,119,816	8,119,816	409,532	28	5,401,982	4,706,668	1,329,555	Investee
31,445,780	31,445,780	987,968	100	23,778,997	2,598,162	2,598,162	Subsidiary
300,000	300,000	-	36	50,570	21,359	(664)	Investee
300,000	300,000	-	36	49,823	21,887	(491)	Investee
10,350	10,350	300	100	3,908,356	43,117	43,117	Subsidiary
6,408,190	6,408,190	382	32	3,290,888	2,288,786	732,418	Investee
1,447,957	1,179,690	-	99	823,232	(97,767)	(97,278)	Subsidiary
409,920	409,920	39,040	47	391,626	30,424	23,279	Investee
51,000	51,000	5,100	25	59,116	35,540	8,885	Investee
332,412	-	-	98	329,968	18,373	14,648	Subsidiary

TABLE 9

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND SUBSIDIARIES
INFORMATION OF INVESTMENT IN MAINLAND CHINA
DECEMBER 31, 2004

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (RMB in Thousand)	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2004 (US\$ in Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2004 (US\$ in Thousand)
					Outflow (US\$ in Thousand)	Inflow	
TSMC (Shanghai) Company Limited	Manufacturing and marketing of integrated circuits and semiconductor devices	\$ 9,187,962 (RMB 2,284,355)	(Note 1)	\$ 1,890,952 (US\$ 56,000)	\$ 7,297,010 (US\$ 220,000)	\$ -	\$ 9,187,962 (US\$ 276,000)

Percentage of Ownership in Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2004	Accumulated Inward Remittance of Earnings as of December 31, 2004	Accumulated Investment in Mainland China as of December 31, 2004 (US\$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand)	Upper Limit on Investment (US\$ in Thousand)
100%	\$ (727,036)	\$ 8,113,511	\$ -	\$ 9,187,962 (US\$ 276,000)	\$ 11,841,207 (US\$ 371,000)	\$ 11,841,207 (US\$ 371,000)

Note 1: Direct investment in TSMC (Shanghai) US\$276,000 thousand.

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

11. U.S. GAAP Financial Information

Please be advised that our 2004 full annual report that includes complete U.S. GAAP reconciled financial statements and footnotes will be available when we file Form 20-F with the U.S. SEC. Our Form 20-F, or our 2004 full annual report, can be found at the U.S. SEC and on TSMC's website no later than June 30, 2005.

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND SUBSIDIARIES

U.S. GAAP RECONCILIATIONS OF SHAREHOLDERS' EQUITY

December 31, 2003 and 2004

(In Thousand New Taiwan Dollars)

	2003	2004
TOTAL SHAREHOLDERS' EQUITY UNDER R.O.C. GAAP	\$ 329,214,309	\$ 398,965,299
U.S. GAAP Adjustments		
- Unrealized gain on trading marketable securities	448,730	813,841
- US GAAP adjustments on equity-method investees	(1,403,846)	(463,097)
- Unrealized gain on available-for-sale marketable securities		
- TSMC	379,664	33,586
- Equity-method investees	130,706	242,688
- Reversal of R.O.C. GAAP unrealized loss on marketable securities	-	75,212
- Loss on impairment of assets	(11,108,126)	(10,335,675)
- Reversal of depreciation on assets impaired under U.S. GAAP	4,453,059	5,529,660
- Effect of US GAAP adjustments on deferred income tax	37,802	41,901
- Goodwill		
- Carrying value difference for 68% purchase of TASMIC	52,212,732	52,212,732
- Reversal of amortization	(13,647,022)	(12,544,979)
- Derivative financial instruments	39,048	(102,977)
- Bonuses to employees, directors and supervisors	(3,530,225)	(6,403,897)
- Accrued pension expense	(40,263)	(37,706)
- 10% tax on undistributed earnings	-	(878,074)
- Minority interest effect of U.S. GAAP adjustments	(13,447)	(23,704)
	<u>27,958,812</u>	<u>28,159,511</u>
TOTAL SHAREHOLDERS' EQUITY UNDER U.S. GAAP	<u>\$ 357,173,121</u>	<u>\$ 427,124,810</u>

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD.

U.S. GAAP RECONCILIATIONS OF NET INCOME

For the Year Ended December 31, 2003 and 2004

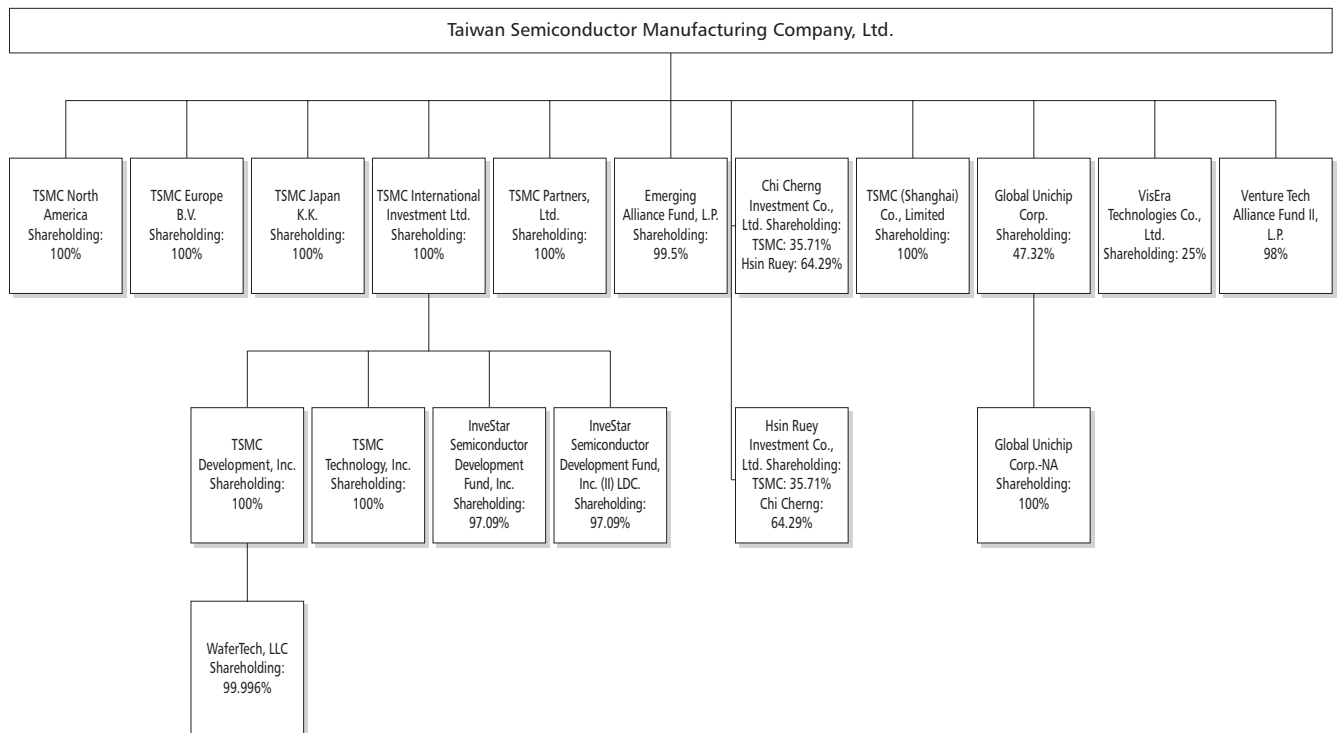
(In Thousand New Taiwan Dollars)

	2003	2004
NET INCOME UNDER R.O.C. GAAP	\$ 47,258,700	\$ 92,316,115
U.S. GAAP Adjustments		
- Unrealized gain on trading marketable securities	(1,667,701)	365,111
- Reversal of R.O.C. GAAP unrealized loss on marketable securities	-	75,212
- U.S. GAAP adjustments on equity-method investees	(70,567)	952,185
- Reversal of depreciation on assets impaired under U.S. GAAP	1,483,526	1,514,707
- Reversal of additional write-off under R.O.C. GAAP	104,614	-
- Income tax effect of U.S. GAAP adjustments	42,409	6,986
- Reversal of amortization of goodwill	1,281,730	1,255,321
- Amortization of capital stock payment for technology transfer	59,609	-
- Adjustment to market value for derivative financial instruments	555,326	(142,025)
- Bonuses to employees, directors and supervisors		
- Current year accrual	(3,530,225)	(6,403,897)
- Fair market value adjustment of prior year accrual	(6,441,054)	(12,956,662)
- Pension expense	(490)	2,557
- Stock-based compensation	(463,743)	156,167
- 10% tax on undistributed earnings	-	(878,074)
- Minority interest effect of U.S. GAAP adjustments	49,241	(10,257)
	<u>(8,597,325)</u>	<u>(16,062,669)</u>
NET INCOME UNDER U.S. GAAP	38,661,375	76,253,446
Cumulative preferred dividends	<u>(184,493)</u>	<u>-</u>
INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS UNDER U.S. GAAP	<u>\$ 38,476,882</u>	<u>\$ 76,253,446</u>

SPECIAL NOTES

1. Affiliates Information

(1) TSMC Affiliated Companies Chart



(2) TSMC Affiliated Companies

December 31, 2004

Unit : NT(US, EUR, JPY) \$ thousands

Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
TSMC North America	Jan. 18, 1988	San Jose, California, USA	US\$ 11,000	Sales and marketing of integrated circuits and semiconductor devices
Taiwan Semiconductor Manufacturing Company Europe B.V.	Mar. 04, 1994	Amsterdam, The Netherlands	EUR 90.76	Marketing activities
TSMC Japan K.K.	Sep. 10, 1997	Yokohama, Japan	JPY 300,000	Marketing activities
TSMC (Shanghai) Company Limited	Aug. 04, 2003	Shanghai, China	US\$ 276,000	Manufacturing and marketing of integrated circuits and semiconductor devices
TSMC International Investment Ltd.	Apr. 09, 1996	Tortola, British Virgin Islands	US\$ 987,968	Providing investment in companies involved in the design, manufacture, and other related business in the semiconductor industry
TSMC Technology, Inc.	Feb. 20, 1996	Delaware, USA	US\$ 0.001	Engineering support activities
InveStar Semiconductor Development Fund, Inc.	Sep. 10, 1996	Cayman Islands	US\$ 25,050	Investing in new start-up technology companies
InveStar Semiconductor Development Fund, Inc.(II) LDC.	Aug. 25, 2000	Cayman Islands	US\$ 52,839	Investing in new start-up technology companies
TSMC Development, Inc.	Feb. 16, 1996	Delaware, USA	US\$ 0.001	Investment activities
WaferTech, LLC	Jun. 03, 1996	Washington, USA	US\$ 892,795	Manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices
TSMC Partners, Ltd.	Mar. 26, 1998	Tortola, British Virgin Islands	US\$ 300	Investment activities
Emerging Alliance Fund, L.P.	Jan. 10, 2001	Cayman Islands	US\$ 43,101	Investing in new start-up technology companies
Hsin Ruey Investment Co., Ltd.	Jul. 13, 1998	Taipei, Taiwan	NT\$ 840,000	Investment activities
Chi Cherg Investment Co., Ltd.	Jul. 15, 1998	Taipei, Taiwan	NT\$ 840,000	Investment activities
Global Unichip Corporation	Jan. 22, 1998	Hsin-Chu, Taiwan	NT\$ 825,000	Researching, developing, manufacturing, testing and marketing of integrated circuits
VisEra Technologies Company, Ltd.	Dec. 05, 2003	Hsin-Chu, Taiwan	NT\$ 204,000	Manufacturing, material wholesaling and retailing of electronic spare parts
VentureTech Alliance Fund II, L.P.	Feb. 27, 2004	Cayman Islands	US\$ 10,000	Investing in new start-up technology companies
Global Unichip Corporation-NA	Feb. 02, 2004	San Jose, California, USA	US\$ 100	Providing consulting services for products in the North America region

(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, several of TSMC's affiliate companies are focused on investing in companies involved in design, manufacture, and other related business in semiconductor industries. In general, TSMC and its affiliates provide cross support in technology, capacity, marketing and services with an aim to maximize the synergy within the group, enabling TSMC to provide its customers with the best dedicated foundry services worldwide. The ultimate goal of this strategy is to ensure TSMC's leading position in the global foundry market.

(4) TSMC Shareholders Representing Both Holding Companies and Subordinates

December 31, 2004

Unit: NT\$ thousands, except shareholding

Reasoning	Name (Note 1)	Shareholding (Note 2)		Date of Incorporation	Place of Registration	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 behalf 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, 2004

Unit: NT\$, except shareholding

Company	Title	Name	Shareholding	
			Amount	%
TSMC North America	Director	F.C.Tseng	-	-
	Director	Rick Tsai	-	-
	President	Rick Cassidy	-	-
			(TSMC holds 11,000,000 shares)	(100)
Taiwan Semiconductor Manufacturing Company Europe B.V.	Director	Morris Chang	-	-
	Director	Rick Tsai	-	-
	Director	Quincy Lin	-	-
	Director	Kenneth Kin	-	-
	Director	Kees den Otter	-	-
	President	Kees den Otter	-	-
		(TSMC holds 200 shares)	(100)	
TSMC Japan K.K.	Chairman	Sachiaki Nagae	-	-
	Director	Morris Chang	-	-
	Director	F.C.Tseng	-	-
	Director	Rick Tsai	-	-
	Director	Sachiaki Nagae	-	-
	Director	Makoto Onodera	-	-
	Director	Hisao Baba	-	-
	Supervisor	Lora Ho	-	-
	President	Hisao Baba	-	-
		(TSMC holds 6,000 shares)	(100)	
TSMC (Shanghai) Company Limited	Chairman	F.C.Tseng	-	-
	Director	F.C.Tseng	-	-
	Director	C.C.Wei	-	-
	Director	Y.C. Chao	-	-
	Supervisor	Lora Ho	-	-
	President	Y.C. Chao	-	-
			(TSMC's investment US\$276,000,000)	(100)
TSMC International Investment Ltd.	Director	Morris Chang	-	-
	President	F.C.Tseng	-	-
			(TSMC holds 987,968,244 shares)	(100)
TSMC Technology, Inc.	Chairman	Morris Chang	-	-
	Director	Morris Chang	-	-
	President	Morris Chang	-	-
			(TSMC International Investment Ltd. holds 1,000 shares)	(100)
InveStar Semiconductor Development Fund, Inc.	Director	Wendell Huang	-	-
		(TSMC International Investment Ltd. holds 24,320,388 shares)	(97.09)	
InveStar Semiconductor Development Fund, Inc.(II) LDC.	Director	Wendell Huang	-	-
		(TSMC International Investment Ltd. holds 51,300,000 shares)	(97.09)	
TSMC Development, Inc.	Chairman	Morris Chang	-	-
	Director	Morris Chang	-	-
	President	Morris Chang	-	-
			(TSMC International Investment Ltd. holds 1,000 shares)	(100)

Company	Title	Name	Shareholding	
			Amount	%
WaferTech, LLC	Chairman	Morris Chang	-	-
	Director	Morris Chang	-	-
	Director	Rick Tsai	-	-
	Director	Steve Tso	-	-
	President	Kuo-Chin Hsu	-	-
			(TSMC Development, Inc. holds 293,636,833 Preferred Shares)	(99.996)
TSMC Partners, Ltd.	Director	F. C. Tseng	-	-
	Director	Rick Tsai	-	-
	Director	Quincy Lin	-	-
	Director	Steve Tso	-	-
	Director	Richard L. Thurston	-	-
	Director	Lora Ho	-	-
			(TSMC holds 300,000 shares)	(100)
Emerging Alliance Fund, L.P.	NIL	NIL	(TSMC's investment US\$ 42,885,000)	(99.50)
Hsin Ruey Investment Co., Ltd.	Director	Rick Tsai (Representative of Chi Cherng Investment Co., Ltd.)	(Chi Cherng's investment NT\$ 540,000,080)	(64.29)
			(TSMC's investment NT\$299,999,880)	(35.71)
Chi Cherng Investment Co., Ltd.	Director	F. C. Tseng (Representative of Hsin Ruey Investment Co., Ltd.)	(Hsin Ruey's investment NT\$ 540,000,080)	(64.29)
			(TSMC's investment NT\$299,999,880)	(35.71)
Global Unichip Corporation	Chairman	F. C. Tseng	-	-
	Director	F. C. Tseng	-	-
	Director	Ping Yang	-	-
	Director	Jim Lai	-	-
	Supervisor	Lora Ho	-	-
	President	Jim Lai	-	-
			(TSMC holds 39,040,000 shares)	(47.32)
VisEra Technologies Company, Ltd.	Director	C. C. Wei	-	-
	Supervisor	Lora Ho	-	-
	President	N. S. Tsai	-	-
				(TSMC holds 5,100,000 shares)
VentureTech Alliance Fund II, L.P.	NIL	NIL	(TSMC's investment US\$ 9,850,000)	(98)
Global Unichip Corporation-NA	Director	K. C. Shih	-	-
	Director	Jim Lai	-	-
	President	Jim Lai	-	-
				(GUC holds 100,000 shares)

(6) Operational Highlights for TSMC Affiliated Companies

December 31, 2004

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

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Sales	Income from Operation	Net Income (net of tax)	Basic EPS (net of tax)	Note
TSMC North America	351,087	17,504,163	16,241,043	1,263,120	1,673,507	168,655	106,725	9.70	*
Taiwan Semiconductor Manufacturing Company Europe B.V.	3,954	51,007	25,568	25,439	203,491	23,408	262	1,311.07	
TSMC Japan K.K.	93,390	124,160	21,588	102,572	255,715	12,177	2,919	486.49	
TSMC (Shanghai) Company Limited	8,809,092	18,623,017	10,509,507	8,113,511	12,930	(826,109)	(727,036)	N/A	
TSMC International Investment Ltd.	31,532,982	34,204,536	10,425,539	23,778,997	2,604,849	2,601,170	2,598,162	2.63	
TSMC Technology, Inc.	0.032	856,090	679,149	176,941	70,474	(2,687)	(27,419)	(27,419.21)	*
InveStar Semiconductor Development Fund, Inc.	799,521	1,199,957	65,311	1,134,646	848,906	546,322	511,501	20.42	
InveStar Semiconductor Development Fund, Inc.(II) LDC.	1,686,462	1,135,465	166	1,135,299	161,980	85,929	(67,387)	(1.28)	
TSMC Development, Inc.	0.032	16,038,767	6,454,562	9,584,205	0	(19,945)	4,630,853	4,630,853.23	*
WaferTech, LLC	28,495,335	15,955,936	817,841	15,138,095	15,152,475	4,854,005	4,752,619	N/A	*
TSMC Partners, Ltd.	9,575	12,539,566	8,631,210	3,908,356	0	(71)	43,117	143.72	
Emerging Alliance Fund, L.P.	1,375,639	833,374	6,005	827,369	61,258	9,730	(97,767)	N/A	
Hsin Ruey Investment Co., Ltd.	840,000	1,427,917	1,781	1,426,136	21,862	21,690	21,887	N/A	
Chi Cherng Investment Co., Ltd.	840,000	1,427,291	1,717	1,425,574	22,740	22,568	21,359	N/A	
Global Unichip Corporation	825,000	1,186,168	302,268	883,900	1,006,211	6,906	30,424	0.37	
VisEra Technologies Company, Ltd.	204,000	731,276	494,812	236,464	1,967,687	53,920	35,540	1.74	
VentureTech Alliance Fund II, L.P.	319,170	340,238	3,536	336,702	34,776	18,372	18,373	N/A	
Global Unichip Corporation-NA	3,192	3,493	96	3,397	8,705	415	215	2.15	*

* Base on US GAAP.

NOTE: Foreign exchange rate for balance sheet amounts are as follows:

\$1 USD = \$31.917 NT

\$1 EUR = \$43.57 NT

\$1 JPY = \$0.3113 NT

\$1 RMB = \$3.856 NT

Foreign exchange rate for income statement amounts are as follows:

\$1 USD = \$33.4483 NT

\$1 EUR = \$41.62 NT

\$1 JPY = \$0.31 NT

\$1 RMB = \$4.041 NT

2. Combined Financial Statements and Independent Accountants' Review Report

REPRESENTATION LETTER

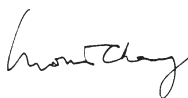
The combined balance sheet as of December 31, 2004 and the combined statement of income for the year ended December 31, 2004 of Taiwan Semiconductor Manufacturing Company, Ltd. and affiliates were prepared in conformity with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, relevant regulations and accounting principles generally accepted in the Republic of China.

No misrepresentations were made and no important matters were concealed in the preparation of the combined financial statements of Taiwan Semiconductor Manufacturing Company, Ltd.

Very truly yours,

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD.

By



MORRIS CHANG
Chairman

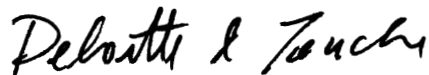
January 13, 2005 (January 30, 2005 as to Note 23o)

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the combined balance sheet as of December 31, 2004 and the related combined statement of income for the year then ended of Taiwan Semiconductor Manufacturing Company, Ltd. and affiliates. Our review 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 (R.O.C.), 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 the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" in the R.O.C., and the R.O.C. regulations governing the preparation of financial statements of public company and generally accepted accounting principles in the R.O.C.



January 13, 2005 (January 30, 2005 as to Note 23o)

Notice to Readers

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

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

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND AFFILIATES

COMBINED BALANCE SHEET

DECEMBER 31, 2004

(In Thousands of New Taiwan Dollars, Except Par Value)

(Reviewed, Not Audited)

ASSETS	Amount	%
CURRENT ASSETS		
Cash and cash equivalents (Notes 2, 4 and 5)	\$ 74,531,410	15
Short-term investments, net (Notes 2 and 5)	54,303,642	11
Receivables from related parties (Note 21)	1,077,818	-
Notes receivable	14,746	-
Accounts receivable	31,274,596	6
Allowance for doubtful receivables (Note 2)	(986,360)	-
Allowance for sales returns and others (Note 2)	(3,342,450)	(1)
Other receivables from related parties (Note 21)	111,300	-
Other financial assets (Notes 2 and 24)	2,229,551	1
Inventories, net (Notes 2 and 6)	15,649,596	3
Deferred income tax assets, net (Notes 2 and 15)	8,917,986	2
Prepaid expenses and other current assets (Note 2)	1,751,699	-
Total current assets	<u>185,533,534</u>	<u>37</u>
LONG-TERM INVESTMENTS (Notes 2, 7, 19 and 24)		
Equity method	8,692,870	2
Cost method	3,266,330	1
Long-term bonds	15,170,167	3
Other investments	10,521,740	2
Total long-term investments	<u>37,651,107</u>	<u>8</u>
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 8, 11 and 21)		
Cost		
Land and land improvements	803,508	-
Buildings	98,086,317	20
Machinery and equipment	433,168,964	86
Office equipment	8,551,372	2
Leased assets	566,243	-
Other equipment	152,133	-
Total cost	541,328,537	108
Accumulated depreciation	(331,323,140)	(66)
Advance payments and construction in progress	49,247,068	10
Net property, plant and equipment	<u>259,252,465</u>	<u>52</u>
GOODWILL (Note 2)	<u>7,088,864</u>	<u>1</u>
OTHER ASSETS		
Deferred charges, net (Notes 2, 9 and 23)	9,218,900	2
Deferred income tax assets, net (Notes 2 and 15)	1,649,979	-
Refundable deposits	106,952	-
Others (Note 8)	175,830	-
Total other assets	<u>11,151,661</u>	<u>2</u>
TOTAL	<u>\$ 500,677,631</u>	<u>100</u>

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

LIABILITIES AND SHAREHOLDERS' EQUITY	Amount	%
CURRENT LIABILITIES		
Short-term bank loans (Note 10)	\$ 383,004	-
Payables to related parties (Note 21)	2,241,748	-
Accounts payable	7,583,723	2
Payables to contractors and equipment suppliers	33,437,308	7
Accrued expenses and other current liabilities (Notes 2, 13 and 23)	10,325,040	2
Current portion of long-term liabilities (Notes 11 and 12)	<u>10,505,489</u>	<u>2</u>
Total current liabilities	<u>64,476,312</u>	<u>13</u>
LONG-TERM LIABILITIES		
Long-term bank loans (Note 11)	1,926,735	-
Bonds payables (Note 12)	19,500,000	4
Other long-term payables (Note 13)	7,964,975	2
Other payables to related parties (Notes 21 and 23)	2,317,972	-
Liability under capital lease (Notes 2 and 8)	<u>566,243</u>	<u>-</u>
Total long-term liabilities	<u>32,275,925</u>	<u>6</u>
OTHER LIABILITIES		
Accrued pension cost (Notes 2 and 14)	3,113,552	1
Guarantee deposits (Note 23)	412,881	-
Others	<u>714,949</u>	<u>-</u>
Total other liabilities	<u>4,241,382</u>	<u>1</u>
MINORITY INTEREST IN AFFILIATES (Note 2)		
	<u>718,713</u>	<u>-</u>
Total liabilities	<u>101,712,332</u>	<u>20</u>
SHAREHOLDERS' EQUITY (Notes 2 and 17)		
Capital stock - \$10 par value		
Authorized: 24,600,000 thousand shares		
Issued: 23,251,964 thousand shares	232,519,637	46
Capital surplus	56,537,259	11
Retained earnings:		
Appropriated as legal reserve	25,528,007	5
Unappropriated earnings	88,202,009	18
Cumulative translation adjustments (Note 2)	(2,226,427)	-
Treasury stock (at cost) - 45,521 thousand shares (Notes 2 and 19)	<u>(1,595,186)</u>	<u>-</u>
Total shareholders' equity	<u>398,965,299</u>	<u>80</u>
TOTAL	<u>\$ 500,677,631</u>	<u>100</u>

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND AFFILIATES

COMBINED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2004

(In Thousands of New Taiwan Dollars, Except Combined Earnings Per Share)

(Reviewed, Not Audited)

	Amount	%
GROSS SALES (Notes 2 and 21)	\$ 264,348,362	
SALES RETURNS AND ALLOWANCES (Note 2)	<u>(4,737,127)</u>	
NET SALES (Note 25)	259,611,235	100
COST OF SALES (Notes 16 and 21)	<u>143,375,116</u>	<u>55</u>
GROSS PROFIT	<u>116,236,119</u>	<u>45</u>
OPERATING EXPENSES (Notes 16, 21 and 25)		
Research and development	12,703,145	5
General and administrative	11,542,135	5
Marketing	<u>3,403,503</u>	<u>1</u>
Total operating expenses	<u>27,648,783</u>	<u>11</u>
INCOME FROM OPERATIONS	<u>88,587,336</u>	<u>34</u>
NON-OPERATING INCOME AND GAINS (Note 25)		
Investment income recognized by equity method, net (Notes 2 and 7)	2,061,973	1
Interest (Notes 2 and 24)	1,860,614	1
Gain on sales of investments, net (Note 2)	922,650	-
Technical service income (Notes 21 and 23)	423,804	-
Gain on disposal of property, plant and equipment (Note 2)	247,021	-
Other (Note 21)	<u>527,952</u>	<u>-</u>
Total non-operating income and gains	<u>6,044,014</u>	<u>2</u>
NON-OPERATING EXPENSES AND LOSSES (Note 25)		
Interest (Notes 2, 8 and 24)	1,528,908	1
Foreign exchange loss, net (Notes 2 and 24)	390,858	-
Loss on impairment of long-term investments (Note 2)	350,608	-
Loss on disposal of property, plant and equipment (Note 2)	131,779	-
Unrealized valuation loss of short-term investments (Note 2)	75,708	-
Other	<u>134,247</u>	<u>-</u>
Total non-operating expenses and losses	<u>2,612,108</u>	<u>1</u>

(Continued)

	Amount	%
INCOME BEFORE INCOME TAX AND MINORITY INTEREST (Note 25)	\$ 92,019,242	35
INCOME TAX BENEFIT (Notes 2 and 15)	<u>352,453</u>	<u>-</u>
INCOME BEFORE MINORITY INTEREST	92,371,695	35
MINORITY INTEREST IN INCOME OF AFFILIATES (Notes 2 and 25)	<u>(55,580)</u>	<u>-</u>
COMBINED NET INCOME	<u>\$ 92,316,115</u>	<u>35</u>
	Income Before Income Tax and Minority Interest	Combined Net Income
COMBINED EARNINGS PER SHARE (NT\$, Note 20)		
Basic earnings per share	\$ 3.96	\$ 3.97
Diluted earnings per share	<u>\$ 3.96</u>	<u>\$ 3.97</u>

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

(Concluded)

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

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

(Reviewed, Not Audited)

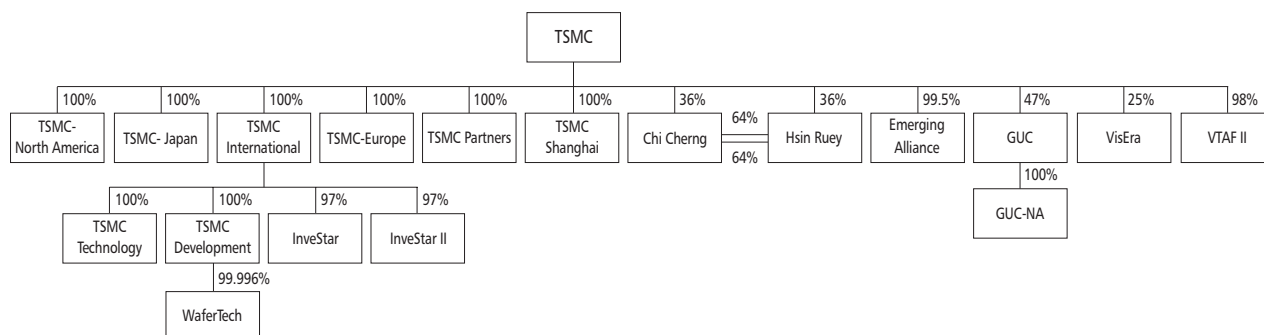
1. General

Taiwan Semiconductor Manufacturing Company, Ltd. (TSMC), a Republic of China (R.O.C.) corporation, was incorporated as a venture among the Government of the R.O.C., acting through the Development Fund of the Executive Yuan; Philips Electronics N.V. and certain of its affiliates (Philips); and certain other private investors. On September 5, 1994, its shares were listed on the Taiwan Stock Exchange (TSE). On October 8, 1997, TSMC listed some of its shares of stock on the New York Stock Exchange (NYSE) in the form of American Depositary Shares (ADSs).

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

TSMC has six direct wholly-owned subsidiaries: TSMC International Investment Ltd. (TSMC International), TSMC North America (TSMC - North America), Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC - Europe), TSMC Japan K.K. (TSMC - Japan), TSMC (Shanghai) Company Limited (TSMC - Shanghai) and TSMC Partners, Ltd. (TSMC Partners). In addition, TSMC has the following consolidating subsidiaries: a 99.5% owned subsidiary, Emerging Alliance Fund, L.P. (Emerging Alliance), a 98% owned subsidiary, VentureTech Alliance Fund II, L.P. (VTAF II) and two 36% owned affiliates - Chi Cherng Investment Co., Ltd. (Chi Cherng, which is 36% owned by TSMC and 64% owned by Hsin Ruey Investment Co., Ltd.) and Hsin Ruey Investment Co., Ltd. (Hsin Ruey, which is 36% owned by TSMC and 64% owned by Chi Cherng). TSMC International has two wholly-owned subsidiaries - TSMC Development, Inc. (TSMC Development) and TSMC Technology, Inc. (TSMC Technology), and two 97% owned subsidiaries - InveStar Semiconductor Development Fund, Inc. (InveStar) and InveStar Semiconductor Development Fund, Inc. (II) LDC (InveStar II). TSMC Development has a 99.996% owned subsidiary, WaferTech, LLC (WaferTech). TSMC has two affiliates over which TSMC exercises significant influence: a 47% owned affiliate, Global UniChip Corporation (GUC), and a 25% owned affiliate, VisEra Technologies Co., Ltd. (VisEra). GUC has a wholly-owned subsidiary, Global Unichip Corp. - NA (GUC - NA).

The following diagram presents information regarding the relationship and ownership percentages among TSMC and its affiliates as of December 31, 2004:



TSMC - North America is engaged in the sales and marketing of integrated circuits and semiconductor devices. TSMC - Europe and TSMC - Japan are engaged mainly in marketing activities. TSMC Technology is engaged mainly in engineering support activities. TSMC - Shanghai is engaged in the manufacturing and marketing of integrated circuits and other semiconductor devices. TSMC Partners, TSMC Development, Chi Cherng and Hsin Ruey are engaged in investing activities. TSMC International is engaged in providing investment in companies involved in the design, manufacture, and other related business in the semiconductor industry. Emerging Alliance, VTAF II, InveStar and InveStar II are engaged in investing in new start-up technology companies. WaferTech is engaged in the manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices. GUC is engaged in the researching, developing, manufacturing, testing and marketing of integrated circuits. VisEra is engaged in the manufacturing, material wholesaling and retailing of electronic spare parts. GUC - NA is engaged in providing consulting services for products in the North America region.

2. Significant Accounting Policies

The combined financial statements are presented in conformity with Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises in the R.O.C. and regulations governing the preparation of financial statements of public companies and generally accepted accounting principles in the R.O.C.

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

Significant accounting policies are summarized as follows:

Combination

All significant intercompany balances and transactions have been eliminated in the combined financial statements. The combined financial statements include, as of and for the year ended December 31, 2004, the accounts of all directly and indirectly majority owned subsidiaries of TSMC, and the accounts of GUC, GUC - NA and VisEra that TSMC exercises significant influence on. TSMC and the foregoing affiliates are hereinafter referred to collectively as the "Company".

Minority interests in the aforementioned affiliates are presented separately in the combined financial statements.

Use of Estimates

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

Classification of Current and Noncurrent Assets and Liabilities

Current assets are those expected to be converted to cash, sold or consumed within one year from the balance sheet date. Current liabilities are obligations due on demand within one year from the balance sheet date. Assets and liabilities that are not classified as current are noncurrent assets and liabilities, respectively.

Cash Equivalents

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

Short-term Investments

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

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

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

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

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

Allowance for Doubtful Receivables

Allowances for doubtful receivables are provided based on a review of the collectibility of accounts receivables. The Company determines the amount of allowance for doubtful accounts by examining the historical collection experience and current trends in the credit quality of its customers as well as its internal credit policies.

Revenue Recognition and Allowance for Sales Returns and Others

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

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

Inventories

Inventories are stated at the lower of cost or market value. Inventories are recorded using the weighted-average cost method, or recorded at standard cost and adjusted to the approximate weighted-average cost at the end of the year. Market value represents net replacement cost for raw materials, supplies and spare parts. Market value represents net realizable value for finished goods and work in process. The Company assesses the impact of changing technology on its inventory on hand and writes off inventories that are considered obsolete. Ending inventories are evaluated for estimated excess quantities and obsolescence based on demand forecast within a specific time horizon, generally 180 days or less, and the estimated losses on scrap and slow-moving items are recognized in the allowance for losses.

Long-term Investments

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

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

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

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

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

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

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

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

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

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

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

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

Property, plant and equipment and assets leased to others are stated at cost less accumulated depreciation. When impairment is determined, the related assets are stated at the lower of fair value or book value. Idle assets are stated at the lower of net realizable value or book value. Significant additions, renewals and betterments incurred during the construction period are capitalized. Maintenance and repairs are expensed in the year incurred. Interest expense incurred for the project during the purchase and construction period is also capitalized. Properties covered by agreements qualifying as capital leases are carried at the lower of the leased equipment's market value or the present value of the minimum lease payments at the inception date of the lease.

Depreciation is computed using the straight-line method over the following estimated service lives: land improvements - 20 years; buildings - 10 to 50 years; machinery and equipment - 3 to 10 years; office equipment - 3 to 15 years; leased assets - 20 years and other equipment - 3 to 10 years.

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

Goodwill

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

Deferred Charges

Deferred charges consist of technology license fees, software and system design costs and other charges. The amounts are amortized as follows: technology license fees - the shorter of the estimated life of the technology or the term of the technology transfer contract, software and system design costs and other charges - 2 or 5 years.

Pension Costs

Net periodic pension costs are recorded based on actuarial calculations. The unrecognized net gains or losses and unrecognized net transition obligation are amortized over 25 years or over the remaining service period of the employees.

Income Tax

The Company uses an inter-period tax allocation method for income tax. Deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused tax credits, and net operating loss carryforwards. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or non-current in accordance with the classification of its related asset or liability. However, if a deferred tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

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

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

Income taxes on unappropriated earnings (excluding earnings from foreign combined affiliates) of 10% are expensed in the year of shareholder approval which is the year subsequent to the year the earnings are generated.

Stock-based Compensation

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

Treasury Stock

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

Foreign-currency Transactions

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

Derivative Financial Instruments

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

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

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

Translation of Foreign-currency Financial Statements

R.O.C. SFAS No. 14, "Accounting for Foreign-currency Transactions," applies to foreign subsidiaries that use the local foreign currency as their functional currency. The financial statements of foreign subsidiaries are translated into New Taiwan dollars at the following exchange rates: Assets and liabilities - current rate on balance sheet date; shareholders' equity - historical rate; income and expenses - average rate during the year. The resulting translation adjustment is recorded as a separate component of shareholders' equity.

3. Significant Elimination Entries

Significant transactions and balances with affiliates that have been eliminated upon combination are as follows:

Company	Account	Amount	Transaction Entity		
TSMC	Payables to related parties	\$ 913,107	WaferTech		
		23,091	TSMC - Europe		
		21,978	TSMC - Japan		
		12,591	TSMC - Shanghai		
		8,027	TSMC Technology		
		6,589	GUC		
		1,881	TSMC - North America		
		682,530	TSMC - Shanghai		
		15,526,964	Deferred credits - gain on intercompany	682,530	TSMC - North America
					GUC
		56,436	Receivables from related parties	56,436	GUC
					4,285
		458	TSMC - Shanghai		
		1,472,880	Other receivables from related parties	1,472,880	TSMC - Shanghai
					30,278
		2,881	TSMC Technology		
		142,271,732	Sales	142,271,732	TSMC - North America
					371,546
		6,535	WaferTech		
		811	TSMC - Shanghai		
15,203,047	Purchases	15,203,047	WaferTech		
			12,752	TSMC - Shanghai	
11,688	Research and development expenses	11,688	GUC		
13,186	General and administrative expenses - rent	13,186	GUC		
253,341	Marketing expenses - commissions	253,341	TSMC - Japan		
202,678		202,678	TSMC - Europe		
28,917	Other non-operating income and gains	28,917	VisEra		
		3,267	WaferTech		
TSMC International	Other receivables	1,915,020	TSMC Development		
	Interest receivable	30,931	TSMC Development		
	Deferred revenue	630,271	TSMC Technology		
	Interest income	8,919	TSMC Technology		
	Interest income	30,656	TSMC Development		
TSMC Partners	Other receivables	9,795,268	TSMC International		
	Other receivables	2,553,360	TSMC Development		
	Interest receivable	41,242	TSMC Development		
	Deferred revenue	8,631,210	TSMC International		
	Interest income	40,875	TSMC Development		
TSMC Technology	Accounts receivable	2,129	WaferTech		
	Management service income	14,832	WaferTech		
GUC	Accrued expenses	1,103	GUC - NA		
	Operating expenses	8,680	GUC - NA		
TSMC - North America	Accounts receivable	18,510	GUC		
	Accounts receivable	99,262	VisEra		

4. Cash And Cash Equivalents

	2004
Cash and bank deposits	\$ 54,838,044
Government bonds acquired under repurchase agreements	19,215,153
Corporate issued notes	<u>478,213</u>
	<u>\$ 74,531,410</u>

5. Short-Term Investments

	2004
Corporate bonds	\$ 13,554,598
Corporate issued asset-backed securities	11,766,877
Bond and stock funds	10,858,945
Agency bonds	8,633,889
Government bonds	7,346,858
Money market funds	1,640,973
Government bonds acquired under repurchase agreements	249,449
Listed stocks	168,299
Commercial papers	95,666
Corporate issued notes	<u>63,796</u>
	54,379,350
Allowance for valuation losses	<u>(75,708)</u>
	<u>\$ 54,303,642</u>
Market value	<u>\$ 55,186,236</u>

The Company entered into investment management agreements with three well-known financial institutions (fund managers) to manage investment portfolios for the Company. In accordance with the investment guidelines and terms in these agreements, the securities invested by the fund managers cannot be below a pre-defined credit rating. As of December 31, 2004, the Company had investment portfolios with these fund managers that aggregated to an original amount of US\$1,200,000 thousand. The investment portfolios included securities such as corporate bonds, asset-backed securities, agency bonds, government bonds and others. Securities acquired with maturities less than three months from the date of purchase were reclassified as cash equivalents.

6. Inventories, Net

	2004
Finished goods	\$ 3,547,705
Work in process	11,509,775
Raw materials	993,151
Supplies and spare parts	<u>1,176,735</u>
	17,227,366
Allowance for losses	<u>(1,577,770)</u>
	<u>\$ 15,649,596</u>

7. Long-Term Investments

	2004	
	Carrying Amount	% of Owner-Ship
Equity method		
Vanguard International Semiconductor Corporation (VIS)	\$ 5,401,982	28
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	<u>3,290,888</u>	32
	<u>8,692,870</u>	
Cost method		
Common stocks		
Publicly traded stocks	71,832	-
Non-publicly traded stocks	1,226,499	-
Preferred stocks	1,677,865	-
Funds	<u>290,134</u>	-
	<u>3,266,330</u>	
Long-term bonds		
Government bonds	10,260,481	-
Corporate bonds		
China Steel Corporation	2,978,804	-
Taiwan Power Company	915,276	-
Nan Ya Plastics Corporation	407,526	-
Formosa Plastics Corporation	405,485	-
Formosa Petrochemical Corporation	<u>202,595</u>	-
	<u>15,170,167</u>	
Other investments	<u>10,521,740</u>	-
	<u>\$ 37,651,107</u>	

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

For the year ended December 31, 2004, net investment income recognized from the equity method investees was NT\$2,061,973 thousand. The carrying amounts of investments accounted for under the equity method and the related investment income or losses were determined based on the audited financial statements of the investees as of and for the same periods as the Company.

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

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

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

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

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

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

8. Property, Plant And Equipment

Accumulated depreciation consisted of the following:

	2004
Land improvements	\$ 172,484
Buildings	38,161,926
Machinery and equipment	287,229,318
Office equipment	5,685,185
Leased assets	33,115
Other equipment	<u>41,112</u>
	<u>\$ 331,323,140</u>

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

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

Interest expense for the year ended December 31, 2004 was NT\$1,807,242 thousand (before deducting capitalized amounts of NT\$278,334 thousand in 2004). The interest rates used for purposes of calculating the capitalized amounts were 1.89% to 2.89% in 2004.

The Company entered into agreements to lease certain buildings that qualify as capital leases. The term of the lease is from December 2003 to December 2013. Certain buildings that are leased to others are accounted for as operating leases. The related carrying amount is recorded as in the "Other assets" account.

9. Deferred Charges, Net

	2004
Technology license fees	\$ 6,642,884
Software and system design costs	2,251,709
Others	<u>324,307</u>
	<u>\$ 9,218,900</u>

10. Short-Term Bank Loans

	2004
Unsecured loan in U.S. dollars: US\$12,000 thousand, repayable by June 2006, annual interest at 2.80%	<u>\$ 383,004</u>

11. Long-Term Bank Loans

	2004
Unsecured loan: US\$60,000 thousand, repayable by December 2006, annual interest at 2.475%	\$ 1,915,020
Science Park Administration (SPA) SOC loan, repayable by October 2008 in 20 equal payments, interest-free	10,443
SPA DSP loan, repayable by July 2007 in 20 equal payments, interest-free	<u>6,761</u>
	1,932,224
Less - current portion	<u>5,489</u>
	<u>\$ 1,926,735</u>

As of December 31, 2004, all the assets of WaferTech with a carrying amount of approximately NT\$15,955,936 thousand (US\$499,920 thousand) were pledged for the credit line of the secured loan (no secured loan was outstanding as of December 31, 2004). WaferTech is required to maintain compliance with certain financial covenants defined in the agreement. As of December 31, 2004, WaferTech was in compliance with all such financial covenants. Under the unsecured loan agreement, the Company is required maintain compliance with certain financial covenants which, if violated, could result in payment of the obligation prior to the originally scheduled payment date. The Company was in compliance with the financial covenants as of December 31, 2004.

As of December 31, 2004, principal repayments under the Company's long-term bank loans are as follows:

Year of Repayment	Amount
2005	\$ 5,489
2006	1,920,509
2007	4,137
2008	<u>2,089</u>
	<u>\$ 1,932,224</u>

12. Bonds Payable

	2004
Domestic unsecured bonds:	
Issued in December 2000 and repayable in December 2005 and 2007 in two equal payments, 5.25% and 5.36% interest payable annually, respectively	\$ 15,000,000
Issued in January 2002 and repayable in January 2007, 2009 and 2012 in three equal payments, 2.6%, 2.75% and 3.00% interest, payable annually, respectively	<u>15,000,000</u>
	<u>\$ 30,000,000</u>

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

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

13. Other Long-Term Payables

	2004
Payables for acquisition of property, plant and equipment (Note 23k)	\$ 6,030,007
Payables for royalties	<u>3,440,313</u>
	9,470,320
Less - current portion	<u>1,505,345</u>
	<u>\$ 7,964,975</u>

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

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

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

14. Pension Plan

TSMC and GUC have defined benefit plans for all regular employees that provide benefits based on the employee's length of service and average monthly salary and wages for the six-month period prior to retirement and one-month period prior to retirement, respectively.

TSMC and GUC contribute at an amount equal to 2% of salaries and wages paid each month to their respective pension funds (the Funds). The Funds are administered by their respective pension fund monitoring committees (the Committees) and deposited in the Committees' name in the Central Trust of China.

Information on the pension plans is summarized as follows:

a. Components of net periodic pension cost

	2004
Service cost	\$ 638,652
Interest cost	129,039
Projected return on plan assets	(42,071)
Amortization	<u>8,829</u>
Net periodic pension cost	<u>\$ 734,449</u>

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

	2004
Benefit obligation	
Vested benefit obligation	\$ 69,424
Nonvested benefit obligation	2,711,898
Accumulated benefit obligation	<u>2,781,322</u>
Additional benefits based on future salaries	<u>2,138,852</u>
Projected benefit obligation	4,920,174
Fair value of plan assets	<u>(1,455,148)</u>
Funded status	3,465,026
Unrecognized net transitional obligation	(135,516)
Unrecognized net loss	<u>(216,469)</u>
Accrued pension cost	<u>\$ 3,113,041</u>
Vested benefit	<u>\$ 78,579</u>

c. Actuarial assumptions

	2004
Discount rate used in determining present values	3.25% -3.50%
Future salary increase rate	3.00%
Expected rate of return on plan assets	2.50% -3.25%

d. Contributions to the Funds

	2004
	<u>\$ 228,523</u>

e. Payments from the Funds

	2004
	<u>\$ 1,446</u>

15. Income Tax

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

	2004
Income tax based on income before income tax and minority interest at the statutory rate	\$ (24,704,552)
Tax-exempt income	14,712,500
Temporary and permanent differences	<u>187,005</u>
Current income tax on income before income tax credits	<u>\$ (9,805,047)</u>

b. Income tax benefit consists of:

	2004
Current income tax on income before income tax credits	\$ (9,805,047)
Additional 10% income tax on unappropriated earnings	(823,932)
Net operating loss carryforwards	769
Income tax credits	10,478,158
Other income tax	(555,794)
Net change in deferred income tax assets and liabilities	
Net operating loss carryforwards	(1,656,944)
Investment tax credits	249,932
Temporary differences	1,132,188
Net change in valuation allowance of deferred income tax assets	1,333,217
Adjustment of prior years' taxes	<u>(94)</u>
Income tax benefit	<u>\$ 352,453</u>

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

	2004
Current	
Investment tax credits	\$ 8,867,307
Net operating loss carryforwards	12,134
Temporary differences	321,478
Valuation allowance	<u>(282,933)</u>
	<u>\$ 8,917,986</u>
Noncurrent	
Net operating loss carryforwards	\$ 6,773,516
Investment tax credits	17,136,517
Temporary differences	(7,757,244)
Valuation allowance	<u>(14,502,810)</u>
	<u>\$ 1,649,979</u>

d. Integrated income tax information:

The balance of the imputation credit account (ICA) of the TSMC as of December 31, 2004 was zero.

The expected creditable ratio of TSMC for distribution of earnings of 2004 was zero.

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

e. TSMC's earnings generated prior to December 31, 1997 have been appropriated.

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

Regulation	Items	Total Creditable Amounts	Remaining Creditable Amounts	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 4,448,442	\$ -	2004
		3,819,937	116,189	2005
		4,886,611	4,886,611	2006
		4,140,462	4,140,462	2007
		<u>6,309,182</u>	<u>6,309,182</u>	2008
		<u>\$ 23,604,634</u>	<u>\$ 15,452,444</u>	
Statute for Upgrading Industries	Research and development expenditures	\$ 2,270,013	\$ -	2004
		3,165,378	3,165,378	2005
		3,363,356	3,363,356	2006
		2,015,531	2,015,531	2007
		<u>1,885,311</u>	<u>1,885,311</u>	2008
		<u>\$ 12,699,589</u>	<u>\$ 10,429,576</u>	

(Continued)

Regulation	Items	Total Creditable Amounts	Remaining Creditable Amounts	Expiry Year
Statute for Upgrading Industries	Personnel training	\$ 48,659	\$ -	2004
		29,448	29,448	2005
		27,358	27,358	2006
		<u>26,962</u>	<u>26,962</u>	2007
		<u>\$ 132,427</u>	<u>\$ 83,768</u>	
Statute for Upgrading Industries	Investments in important technology-based enterprises	<u>\$ 38,036</u>	<u>\$ 38,036</u>	2005

As of December 31, 2004, the net operating loss carryforwards were generated from WaferTech, TSMC Development, TSMC Technology and GUC and will expire at various dates through 2024.

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

	Tax-Exemption Periods
Construction of Fab 6	2001 to 2004
Construction of Fab 8 - module B	2002 to 2005
Expansion of Fab 2 - modules A and B, Fab 3 and Fab 4, Fab 5 and Fab 6	2003 to 2006
Construction of Fab 12	2004 to 2007

The tax authorities have examined income tax returns of TSMC through 2000. However, TSMC is contesting the assessment of the tax authority for 1992 and 1998. TSMC believes that any additional assessment will not have a material adverse effect on TSMC.

16. Labor Cost, Depreciation And Amortization Expense

	For the Year Ended December 31, 2004		
	Classified as Cost of Sales	Classified as Operating Expenses	Total
Labor cost			
Salary	\$ 10,730,104	\$ 6,018,288	\$ 16,748,392
Labor and health insurance	572,829	328,637	901,466
Pension	472,918	277,870	750,788
Other	<u>431,082</u>	<u>537,129</u>	<u>968,211</u>
	<u>\$ 12,206,933</u>	<u>\$ 7,161,924</u>	<u>\$ 19,368,857</u>
Depreciation	<u>\$ 61,705,023</u>	<u>\$ 2,598,009</u>	<u>\$ 64,303,032</u>
Amortization	<u>\$ 2,496,897</u>	<u>\$ 3,111,875</u>	<u>\$ 5,608,772</u>

17. Shareholders' Equity

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

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

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

	2004
From merger	\$ 24,003,546
Additional paid-in capital	23,051,675
From long-term investments	121,354
From convertible bonds	9,360,424
Donations	55
Treasury stock	205
Total	<u>\$ 56,537,259</u>

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

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

Dividends may be distributed by way of cash dividend or stock dividend at the discretion of TSMC. As the operation of TSMC is at a steady growth stage, distribution of profits shall be made preferably by way of cash dividend. Distribution of profits may also be made by way of stock dividend; provided however, the ratio for stock dividend shall not exceed 50% of total distribution.

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

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

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

The appropriation of the earnings of 2003 was approved in the shareholders' meeting on May 11, 2004. The appropriations and dividend per share are as follows:

	Appropriation of Earnings	Dividend Per Share (NT\$)
Legal reserve	\$ 4,725,870	
Special reserve	(68,945)	
Bonus paid to employees - in cash	681,628	
Bonus paid to employees - in stock	2,726,514	
Preferred stock dividend - in cash	184,493	\$ 0.35
Common stock dividend - in cash	12,159,971	0.60
Common stock dividend - in stock	28,373,267	1.41
Remuneration to directors and supervisors - in cash	<u>127,805</u>	
	<u>\$ 48,910,603</u>	

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

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

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

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

18. Stock-Based Compensation Plans

Stock Option Plans

TSMC's Employee Stock Option Plans, the TSMC 2003 Plan and the TSMC 2002 Plan, were approved on October 29, 2003 and June 25, 2002, respectively. The maximum number of units authorized to be granted under the TSMC 2003 Plan and the TSMC 2002 Plan is 120,000 thousand and 100,000 thousand, respectively, with each unit representing one common share of stock. The option rights may be granted to qualified employees of TSMC or any of its domestic or foreign subsidiaries, in which TSMC's shareholding with voting rights, directly or indirectly, is more than fifty percent (50%). The option rights of both plans are valid for ten years and exercisable at certain percentages subsequent to the second anniversary of the grant date. Under the terms of the plans, stock option rights are granted at an exercise price equal to the closing price of TSMC's common shares listed on the TSE on the date of grant. Under the TSMC 2003 Plan and the TSMC 2002 Plan, units that were never granted, or had been granted and subsequently cancelled were expired as of December 31, 2004.

GUC's Employee Stock Option Plans, the GUC 2003 Plan and the GUC 2002 Plan, were approved on January 23, 2003 and July 1, 2002, respectively. The maximum number of units authorized to be granted under the GUC 2003 Plan and the GUC 2002 Plan is 7,535 units and 5,000 units, respectively, with each unit representing one thousand common shares of stock. The option rights may be granted to qualified employees of GUC. The option rights of both plans are valid for six years and exercisable at certain percentages subsequent to the second anniversary of the grant date. Under the GUC 2002 Plan and the GUC 2003 Plan, units that were never granted, or had been granted and subsequently cancelled were expired as of December 31, 2004.

On August 16, 2004, GUC's 2004 stock option plan (the GUC 2004 Plan) was approved by the Bureau of Monetary Affairs, Financial Supervisory Commission of the R.O.C. The maximum number of units authorized to be granted is 2,500 units, with each unit representing one thousand common shares of stock. The option rights may be granted to qualified employees of GUC and its subsidiary. The option rights of GUC 2004 plan are valid for six years and exercisable at certain percentages subsequent to the second anniversary of the grant date. As of December 31, 2004, no option rights under the GUC 2004 Plan have been granted.

On November 2, 2004, the board of directors of TSMC approved the 2004 stock option plan (the TSMC 2004 Plan), in which the maximum number of units authorized to be granted is 11,000 thousand, with each unit representing one common share of stock. The option rights may be granted to qualified employees of TSMC or any of its domestic or foreign subsidiaries, in which TSMC's shareholding with voting rights, directly or indirectly, is more than fifty percent (50%). The option rights of the plans are valid for ten years and exercisable at certain percentages subsequent to the second anniversary of the grant date. Under the terms of the plan, stock option rights are granted at an exercise price equal to the closing price of TSMC's common shares listed on the TSE on the date of grant. The TSMC 2004 plan was approved by the Bureau of Monetary Affairs, Financial Supervisory Commission of the R.O.C. on January 6, 2005.

Information on TSMC's outstanding stock options for the year ended December 31, 2004 is as follows:

	TSMC 2003 Plan		TSMC 2002 Plan	
	Number of Outstanding Stock Option Rights (in Thousands)	Weighted-Average Exercise Price (NT\$)	Number of Outstanding Stock Option Rights (in Thousands)	Weighted-Average Exercise Prices (NT\$)
Beginning outstanding balance	842	57.8	48,515	42.7
Options granted	13,199	49.9	7,201	42.6
Options exercised	-	-	(87)	41.8
Options cancelled	(1,404)	50.9	(3,899)	44.2
Ending outstanding balance	<u>12,637</u>		<u>51,730</u>	

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

Information on GUC's outstanding stock options for the year ended December 31, 2004 is as follows:

	GUC 2003 Plan		GUC 2002 Plan	
	Number of Outstanding Stock Option Rights	Weighted-Average Exercise Price (NT\$)	Number of Outstanding Stock Option Rights	Weighted-Average Exercise Prices (NT\$)
Beginning outstanding balance	2,058	10.5	5,000	10.5
Options granted	<u>831</u>	10.5	<u>-</u>	-
Ending outstanding balance	<u>2,889</u>		<u>5,000</u>	

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

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

	Range of Exercise Price (NT\$)	Options Outstanding			Options Exercisable	
		Number of Outstanding Options	Remaining Contractual Life (Years)	Weighted-Average Exercise Price (NT\$)	Number of Exercisable Options	Weighted-Average Exercise Price (NT\$)
GUC 2003 Plan	10.5	2,889	4.17-5.42	10.5	-	-
GUC 2002 Plan	10.5	<u>5,000</u>	3.58-4.17	10.5	<u>4,238</u>	10.5
		<u>7,889</u>	3.58-5.42	10.5	<u>4,238</u>	10.5

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

Method:	Black-Scholes Model
Assumptions:	
Expected dividend yield	0%-1.00%
Expected volatility	38.74%-46.15%
Risk free interest rate	2.56%-3.85%
Expected life	5-6 years
Net income:	
Net income as reported	\$ 92,316,115
Pro forma net income	92,256,103

(Continued)

	NT\$
Earnings per share (EPS) - after income tax:	
Basic EPS as reported	3.97
Pro forma basic EPS	3.97
Diluted EPS as reported	3.97
Pro forma diluted EPS	3.97

The estimated weighted average fair value for the options granted of TSMC and GUC during the year ended December 31, 2004 was NT\$19.73 and NT\$4.42 per option, respectively.

In 1996, WaferTech adopted an Executive Incentive Plan, which was amended in 1997. According to the 1997 amendment, the Board of Directors of WaferTech approved the Senior Executive Incentive Plan and the Employee Incentive Plan (the WaferTech Plans) under which officers, key employees and non-employee directors may be granted stock option rights. The WaferTech Plans provide for 15,150 thousand option rights available for grant. For option rights granted to date, the option purchase price was equal to or exceeded the fair market value at the date of grant. The options will expire if not exercised at specified dates ranging from May 2006 and June 2011. In December 2000, WaferTech implemented a Stock Option Buyback Program (Buyback). The Buyback program provides employees with the right to sell back to WaferTech all vested stock options and outstanding ownership interests granted under the WaferTech Plans. As of December 31, 2004, the outstanding and exercisable stock options were 134 thousand and 133 thousand, respectively, and US\$616 thousand was accrued in connection with the Buyback program.

Stock Appreciation Rights

In December 2000, WaferTech and TSMC - North America implemented a stock appreciation rights program (Appreciation). The Appreciation plan is designed to provide employees with a long-term incentive plan that tracks the appreciation of TSMC common stock through Stock Appreciation Rights (SARs). SARs provide each participant the right to receive, upon exercise, an amount in cash from WaferTech and TSMC - North America that is the excess of the market price of TSMC common stock on TSE on the date of exercise over the exercise price. As of December 31, 2004, WaferTech and TSMC - North America accrued US\$381 thousand and US\$1,360 thousand, respectively, in connection with the Appreciation. During 2002, benefits under the Appreciation plan for TSMC - North America were replaced by the TSMC stock option plans aforementioned.

19. Treasury Stock (Common Stock)

(Shares in Thousand)

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

Proceeds from the sale of treasury stock for the year ended December 31, 2004 were NT\$39,906 thousand. TSMC's capital stock held by a subsidiary as an investment is recorded as treasury stock, with the holder having the same rights as other common shareholders. As of December 31, 2004, the book value of the treasury stock was NT\$1,595,186 thousand; the market value was NT\$2,241,009 thousand.

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

20. Earnings Per Share

EPS for the year ended December 31, 2004 is computed as follows:

	Amounts (Numerator)		Number of Shares (Denominator) (Thousand)	EPS (NT\$)	
	Income Before Income Tax and Minority Interest	Combined Net Income		Income Before Income Tax and Minority Interest	Combined Net Income
Basic EPS					
Income available to common shareholders	\$ 92,019,242	\$ 92,316,115	23,248,682	\$ 3.96	\$ 3.97
Effect of diluted securities - stock options	-	-	6,404		
Diluted earnings per share					
Income available to common shareholders	\$ 92,019,242	\$ 92,316,115	23,255,086	\$ 3.96	\$ 3.97

21. Related Party Transactions

Except as disclosed elsewhere in the combined financial statements, the following is a summary of significant related party transactions:

- a. Industrial Technology Research Institute (ITRI), the Chairman of TSMC is one of its directors
- b. Philips, a major shareholder of TSMC
- c. Investees of TSMC
 - VIS
 - SSMC
- d. Omnivision International Holding, Ltd. (Omnivision), a shareholder holding a 25% ownership in VisEra
- e. Huawei Semiconductor (Shanghai) Co., Ltd. (Huawei), the president of which is the president of VisEra

	2004	
	Amount	%
<u>For the year ended</u>		
Sales		
Philips and its affiliates	\$ 5,463,565	2
Omnivision	1,969,396	1
Other	87,453	-
	<u>\$ 7,520,414</u>	<u>3</u>
Purchase		
VIS	\$ 9,169,602	21
SSMC	5,869,123	13
Huawei	195,965	-
	<u>\$ 15,234,690</u>	<u>34</u>
Manufacturing expenses - technical assistance fees		
Philips (see Note 23a)	\$ 907,047	1
Proceeds from disposal of property, plant and equipment		
VIS	\$ 33,974	2
Non-operating income and gains		
SSMC (primarily technical service income; see Note 23e)	\$ 364,505	6
VIS (primarily technical service income; see Note 23j)	117,760	2
	<u>\$ 482,265</u>	<u>8</u>
<u>At end of the year</u>		
Receivables		
Philips and its affiliates	\$ 581,487	54
Omnivision	479,877	44
ITRI	16,454	2
	<u>\$ 1,077,818</u>	<u>100</u>
Other Receivables		
SSMC	\$ 63,701	57
VIS	47,599	43
	<u>\$ 111,300</u>	<u>100</u>
Payables		
VIS	\$ 1,533,938	69
Philips and its affiliates	469,494	21
SSMC	207,794	9
Huawei	30,522	1
	<u>\$ 2,241,748</u>	<u>100</u>
Other long-term payables		
Philips and its affiliates	\$ 2,317,972	100

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

22. Significant Long-Term Operating Leases

TSMC leases land from the SPA. These agreements expire on various dates from March 2008 to December 2020. The agreements can be renewed upon their expiration.

TSMC -North America leases its office premises and certain equipment under non-cancelable operating agreements. TSMC-Europe and TSMC - Japan entered into lease agreements for their office premises. The leases will expire between 2005 and 2010. The agreements can be renewed upon their expiration.

GUC leases land from the SPA. The agreement will expire in December 2021. The agreement can be renewed upon their expiration.

As of December 31, 2004 future remaining lease payments are as follows:

Year	Amount
2005	\$ 356,284
2006	355,013
2007	342,773
2008	327,588
2009	324,559
2010 and thereafter	<u>1,537,325</u>
	<u>\$ 3,243,542</u>

23. Significant Commitments and Contingencies

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

- a. On June 20, 2004, TSMC and Philips revised the Technical Cooperation Agreement, which was originally signed on May 12, 1997, with an effective date from January 1, 2004 for five years. Upon expiration, this amended Technical Cooperation Agreement will be terminated at the expiration date and will not be automatically renewed. Under this amended Technical Cooperation Agreement, TSMC will pay Philips royalties based on fixed amounts mutually agreed-on, rather than under certain percentage of TSMC's annual net sales. TSMC and Philips also agree to cross license the patents owned by each party. TSMC also obtained through Philips a number of patent cross licenses.
- b. Under a technical cooperation agreement with ITRI, TSMC shall reserve and allocate up to 35% of certain of its production capacity for use by the Ministry of Economic Affairs (MOEA) or any other party designated by the MOEA.
- c. Under several foundry agreements, TSMC shall reserve a portion of its production capacity for certain major customers that have guarantee deposits with TSMC. As of December 31, 2004, TSMC had a total of US\$12,802 thousand of guarantee deposits.
- d. Under a Shareholders Agreement entered into with Philips and EDB Investments Pte Ltd. on March 30, 1999, the parties formed a joint venture company, SSMC, for the purpose of constructing an integrated circuit foundry in Singapore. As of December 31, 2004, TSMC's equity interest in SSMC was 32%. TSMC and Philips committed to buy specific percentages of the production capacity of SSMC. If any party defaults on the commitment and the capacity utilization of SSMC falls below a specific percentage of its total capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs.

- e. TSMC provides technical services to SSMC under a Technical Cooperation Agreement (the Agreement) entered into on May 12, 1999. TSMC receives compensation for such services computed at a specific percentage of net selling price of certain products sold by SSMC. The Agreement shall remain in force for ten years and may be automatically renewed for successive periods of five years each unless pre-terminated by either party under certain conditions.
- f. Under a Technology Transfer Agreement (TTA) with National Semiconductor Corporation (National) entered into on June 27, 2000, TSMC shall receive payments for the licensing of certain technology to National. The agreement was to remain in force for ten years and could be automatically renewed for successive periods of two years thereafter unless either party gives notice for early termination under certain conditions. In January 2003, TSMC and National entered into a Termination Agreement whereby the TTA was terminated for convenience. Under the Termination Agreement, TSMC will be relieved of any further obligation to transfer any additional technology. In addition, TSMC granted National an option to request the transfer of certain technologies under the same terms and conditions as the terminated TTA. The option will expire in January 2008.
- g. Beginning in 2001, TSMC entered into several licensing arrangements for certain semiconductor patents. The terms of the contracts range from five to ten years with payments to be made in the form of royalties over the term of the related contracts. TSMC has recorded the related amounts as a liability with the corresponding amounts recorded as deferred charges which are amortized and charged to cost of sales on a straight-line basis over the estimated life of the technology or the term of the contract, whichever is shorter.
- h. In November 2002, TSMC entered into an Amended and Restated Joint Technology Cooperation Agreement with Philips, Motorola, Inc. and STMicroelectronics to jointly develop 90-nm to 65-nm advanced CMOS Logic and e-DRAM technologies. TSMC also agreed to align 0.12 micron CMOS Logic technology to enhance its foundry business opportunities. TSMC will contribute process technologies and share a portion of the costs associated with this joint development project.
- i. In December 2003, TSMC entered into a Technology Development and License Agreement with Motorola, Inc. to jointly develop 65-nm SOI (silicon on insulator) technology. TSMC will also license related 90-nm SOI technology from Motorola, Inc. Any intellectual properties arising out of the co-development project shall be jointly owned by the parties. In accordance with the agreement, TSMC will pay royalties to Motorola, Inc. and will share a portion of the costs associated with the joint development project.
- j. TSMC provides a technology transfer to VIS under a Manufacturing License and Technology Transfer Agreement entered into in August 2004. TSMC receives compensation for such technology transfer in the form of royalty payments from VIS computed at specific percentages of net selling price of certain products sold by VIS. VIS agreed to reserve its certain capacity to manufacture for TSMC certain products at prior as agreed by the parties.
- k. Under an agreement signed with a certain company, TSMC - Shanghai has the obligation to purchase certain assets within a specified period at the price agreed upon by both parties. TSMC - Shanghai will compensate the other party in case of a breach of the agreement.
- l. GUC entered into a research and development project (DSP core) with the SPA. In accordance with the contract, the SPA provided a NT\$13,522 thousand grant (DSP grants) to GUC during the period of January 2000 to June 2001 for the development of new products. GUC should repay the loan after the accomplishment of the project. In addition, GUC should also pay the SPA a 2% royalty fee based on the sales of the developed products every three months for the subsequent three years, starting from the first date of the product sale. The total royalty should not exceed 60% of the DSP grants.

- m. GUC entered into a research and development project (Platform Development for System-On-a-Chip Integration, Verification and Testing) with the SPA. In accordance with the contract, the SPA provided a NT\$13,923 thousand grant (SOC grants) to GUC during the period of April 2001 to September 2002 for the development of new products. GUC should repay the loan after the accomplishment of the project. In addition, GUC should also pay the SPA a 2% royalty fee based on the sales of the developed products every three months for the subsequent three years, starting from the first date of the product sale. The total royalty should not exceed the 60% of the SOC grants.
- n. Amounts available under unused letters of credit as of December 31, 2004 were NT\$6,480 thousand, US\$1,282 thousand and SG\$85 thousand. Among the unused letters of credit, TSMC - North America has an outstanding irrevocable standby letter of credit for US\$1,078 thousand. The standby letter of credit was entered into as security to the landlord of TSMC - North America's office spaces in San Jose, California. The standby letter of credit will expire in October, 2005.
- o. The Company filed a series of lawsuits in late 2003 and 2004 in both state and federal courts in California and with the U.S. International Trade Commission against Semiconductor Manufacturing International Corporation ("SMIC"), SMIC (Shanghai), and SMIC Americas. The lawsuits alleged that SMIC companies infringed multiple patents of the Company and misappropriated the Company's trade secrets. These suits have been settled out of court on January 30, 2005. As part of the agreement, SMIC will pay TSMC US\$175 million over six years to resolve the Company's patent infringement and trade secret claims.

24. Additional Disclosures

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

- a. Financing provided: Please see Table 1 attached;
- b. Endorsement/guarantee provided: Please see Table 2 attached;
- c. Marketable securities held: Please see Table 3 attached;
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;
- e. Acquisition of individual real estate properties at costs of at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;
- f. Disposal of individual real estate properties at prices of at least NT\$100 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the capital: Please see Table 6 attached;
- h. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 7 attached;
- i. Names, locations, and related information of investees of which the Company exercises significant influence: Please see Table 8 attached;

j. Financial instrument transactions:

1) Derivative financial instruments

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

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

Financial Instruments	Currency	Maturity Date	Contract Amount (in Thousands)	
Sell	US\$/NT\$	January 2005 to March 2005	US\$	733,000
Sell	US\$/EUR	January 2005	US\$	159,081

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

b) Cross currency swaps

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

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

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

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

c) Interest rate swaps

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

Contract Date	Period	Contract Amount
September 2003	September 2003 to December 2005	\$ 500,000
October 2003	October 2003 to December 2005	500,000
October 2003	October 2003 to December 2005	500,000
October 2003	October 2003 to December 2005	500,000
October 2003	October 2003 to December 2005	500,000
November 2003	November 2003 to December 2005	500,000

d) Transaction risk

i) Credit risk. Credit risk represents the positive net settlement amount of those contracts with positive fair values at the balance sheet date. The positive net settlement amount represents the loss incurred by the Company if the counter-parties breached the contracts. The banks, which are the counter-parties to the foregoing derivative financial instruments, are reputable financial institutions. Management believes its exposure related to the potential default by those counter-parties is low.

ii) Market price risk. All derivative financial instruments are intended as hedges for fluctuations in foreign exchange rates and interest rates. Gains or losses from these hedging instruments are likely to be offset by gains or losses from the hedged items. Interest rate risks are also controlled as the expected cost of capital is fixed. Thus, market price risks are believed to be low.

iii) Cash flow risk and the amount and period of future cash needs.

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

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

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

2) Fair values of financial instruments were as follows:

	2004	
	Carrying Amount	Fair Value
<u>Non-derivative financial instruments</u>		
Assets		
Short-term investments, net	\$ 54,303,642	\$ 55,186,236
Long-term investments (securities with market price)	31,165,721	34,265,072
Liabilities		
Bonds payable (including current portion)	30,000,000	30,607,341
<u>Derivative financial instruments</u>		
Forward exchange contracts (sell)	391,975	317,090
Cross currency swap contracts	761,030	760,012
Interest rate swap contracts	4,361	(22,714)

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

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

Fair values of financial instruments were determined as follows:

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

k. Information on investment in Mainland China

- 1) The name of the investee company in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, ratio of ownership, equity in the net gain or net loss, ending balance, amount received as earnings distributions from the investment, and the limitation on investment: Please see Table 9 attached.
- 2) Significant direct or indirect transactions with the investee company, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Please see Note 21.

25. Segment Financial Information

a. Geographic information for the year ended December 31, 2004:

	Overseas	Taiwan	Adjustments and Elimination	Combined
Sales to unaffiliated customers	\$ 142,650,532	\$ 116,960,703	\$ -	\$ 259,611,235
Transfers between geographic areas	<u>16,808,395</u>	<u>142,005,640</u>	<u>(158,814,035)</u>	<u>-</u>
Total sales	<u>\$ 159,458,927</u>	<u>\$ 258,966,343</u>	<u>\$(158,814,035)</u>	<u>\$ 259,611,235</u>
Gross profit	<u>\$ 6,173,780</u>	<u>\$ 110,588,670</u>	<u>\$ (526,331)</u>	\$ 116,236,119
Operating expenses				(27,648,783)
Non-operating income and gains				6,044,014
Non-operating expenses and losses				<u>(2,612,108)</u>
Income before income tax and minority interest				<u>\$ 92,019,242</u>
Minority interest in income of affiliates				<u>\$ 55,580</u>
Identifiable assets	<u>\$ 89,451,648</u>	<u>\$ 417,993,101</u>	<u>\$ (44,418,225)</u>	\$ 463,026,524
Long-term investments				<u>37,651,107</u>
Total assets				<u>\$ 500,677,631</u>

b. Gross export sales

The export sales information is determined based on billed regions. Gross export sales for the year ended December 31, 2004 were NT\$95,066,154 thousand. There were no export sales to a region that accounted for more than 10% of the Company's total sales.

c. Major customer

The Company has no customer that accounts for more than 10% of its total sales in 2004.

TABLE 1

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND AFFILIATES
FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2004

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

No.	Financing Name	Counter-party	Financial Statement Account	Maximum Balance for the Period (US\$ in Thousand)	Ending Balance (US\$ in Thousand)
1	TSMC International	TSMC Development	Other receivables	\$ 1,915,020 (US\$ 60,000)	\$ 1,915,020 (US\$ 60,000)
		TSMC Technology	Other receivables	319,170 (US\$ 10,000)	-
2	TSMC Partners	TSMC Development	Other receivables	2,553,360 (US\$ 80,000)	2,553,360 (US\$ 80,000)

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

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

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

TABLE 2

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND AFFILIATES
ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2004

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

No.	Endorsement/ Guarantee Provider	Counter-party		Limits on Each Counter-party's Endorsement/ Guarantee Amounts
		Name	Nature of Relationship (Note 2)	
0	The Company	TSMC Development	3	Not exceed 10% of the net worth of the Company, and also limiting to the total capital issued of the endorsement/guarantee company, unless otherwise approved by Board of Directors.
		TSMC - North America	2	
		WaferTech	3	

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

Note 2: The No. 2 represents a subsidiary in which the Company holds directly over 50% of the equity interest.

The No. 3 represents an investee in which the Company holds directly and indirectly over 50% of the equity interest.

Interest Rate	Type of Financing (Note 1)	Transaction Amounts	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limits (US\$ in Thousand)
					Item	Value		
1.50%	2	\$ -	Operating capital	\$ -	-	\$ -	N/A	\$ 31,532,982 (US\$ 987,968) (Note 2)
-	-	-	-	-	-	-		
1.50%	2	-	Operating capital	-	-	-	N/A	(Note 3)

Maximum Balance for the Year (US\$ in Thousand)	Ending Balance (US\$ in Thousand)	Value of Collateral Property, Plant and Equipment	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statement	Maximum Collateral/Guarantee Amounts Allowable (Note 1)
\$ 1,915,020 (US\$ 60,000)	\$ 1,915,020 (US\$ 60,000)	\$ -	0.48%	\$ 99,741,325
1,276,680 (US\$ 40,000)	1,276,680 (US\$ 40,000)	-	0.32%	
14,043,480 (US\$ 440,000)	-	-	-	

TABLE 3

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND AFFILIATES
MARKETABLE SECURITIES HELD
DECEMBER 31, 2004

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

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account
The Company	<u>Government bonds</u>		
	2003 Government Bond Series A	-	Short-term investment
	United States Treas NTS	-	Short-term investment
	2003 Government Bond Series I	-	Long-term investment
	2004 Government Bond Series A	-	Long-term investment
	2004 Government Bond Series E	-	Long-term investment
	2004 Kaohsiung Municipal Bond Series A	-	Long-term investment
	<u>Bonds under repurchase agreement</u>	-	Short-term investment
	<u>Bond funds</u>		
	JF Taiwan Bond Fund	-	Short-term investment
	ABN AMRO Bond Fund	-	Short-term investment
	JF Taiwan First Bond Fund	-	Short-term investment
	INVESCO R.O.C. Bond A Fund	-	Short-term investment
	Dresdner Bond DAM Fund	-	Short-term investment
	Barits Bond Fund	-	Short-term investment
	Shinkong Chi Shin Bond Fund	-	Short-term investment
	ABN AMRO Select Bond Fund	-	Short-term investment
	NITC Bond Fund	-	Short-term investment
	HSBC NTD Money Management Fund	-	Short-term investment
	<u>Stock</u>		
	Taiwan Mask Corp.	-	Short-term investment
	TSMC International	Subsidiary	Long-term investment
	VIS	Investee	Long-term investment
	TSMC Partners	Subsidiary	Long-term investment
	SSMC	Investee	Long-term investment
	TSMC - North America	Subsidiary	Long-term investment
	GUC	Investee	Long-term investment
	TSMC - Japan	Subsidiary	Long-term investment
	VisEra	Investee	Long-term investment
	TSMC - Europe	Subsidiary	Long-term investment
	United Industrial Gases Co., Ltd.	-	Long-term investment
	Shin-Etsu Handotai Taiwan Co., Ltd.	-	Long-term investment
	W.K. Technology Fund IV	-	Long-term investment
	Hontung Venture Capital Co., Ltd.	-	Long-term investment
	Globaltop Partner I Venture Capital Corp.	-	Long-term investment
	<u>Corporate bonds</u>		
	Taiwan Power Company	-	Short-term investment
	Abbott Labs	-	Short-term investment
	Abbott Labs	-	Short-term investment
	Ace Ltd	-	Short-term investment
	ALG Sunamerica Global Fing IX	-	Short-term investment
	Allstate Finl Global Fdg LLC	-	Short-term investment
	American Express Co.	-	Short-term investment
American Gen Fin Corp.	-	Short-term investment	

December 31, 2004				Note
Shares/Units (In Thousands of)	Carrying Value (US\$ in Thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousand)	
-	\$ 1,207,409	N/A	\$ 1,202,028	Treasury stock of NT\$677,110 thousand is deducted from the carrying value.
-	US\$ 192,357	N/A	US\$ 191,824	
-	3,397,081	N/A	3,393,982	
-	2,349,573	N/A	2,352,973	
-	3,893,827	N/A	3,892,025	
-	620,000	N/A	620,000	
-	249,449	N/A	251,593	
78,698	1,153,209	N/A	1,169,406	
134,906	1,956,175	N/A	1,978,785	
84,886	1,151,463	N/A	1,162,632	
76,705	1,101,911	N/A	1,111,932	
80,833	900,000	N/A	910,904	
76,640	900,000	N/A	907,765	
151,594	2,100,000	N/A	2,115,554	
18,235	200,000	N/A	201,183	
3,764	600,000	N/A	602,703	
41,568	600,000	N/A	601,958	
1,787	6,528	-	27,552	
987,968	23,778,997	100	23,778,997	
409,532	5,401,982	28	8,493,692	
300	3,908,356	100	3,908,356	
382	3,290,888	32	3,290,888	
11,000	502,242	100	1,179,352	
39,040	391,626	47	418,272	
6	102,572	100	102,572	
5,100	59,116	25	59,116	
-	25,439	100	25,439	
16,783	193,584	10	284,036	
10,500	105,000	7	170,940	
5,000	50,000	2	55,146	
8,392	83,916	10	53,571	
5,000	50,000	1	49,909	
-	2,777,798	N/A	2,749,413	
-	US\$ 2,732	N/A	US\$ 2,709	
-	US\$ 1,581	N/A	US\$ 1,587	
-	US\$ 1,046	N/A	US\$ 1,042	
-	US\$ 1,032	N/A	US\$ 1,028	
-	US\$ 3,171	N/A	US\$ 3,096	
-	US\$ 3,550	N/A	US\$ 3,503	
-	US\$ 1,768	N/A	US\$ 1,765	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account
	American Gen Fin Corp. Mtn	-	Short-term investment
	American Gen Fin Corp. Mtn	-	Short-term investment
	American Honda Fin Corp. Mtn	-	Short-term investment
	American Intl Group Inc. Mtnf	-	Short-term investment
	Amgen Inc.	-	Short-term investment
	Amsouth Bk Birmingham Ala	-	Short-term investment
	ANZ Cap Tr I	-	Short-term investment
	Bank New York Inc.	-	Short-term investment
	Bank New York Inc.	-	Short-term investment
	Bank Scotland Treas Svcs PLC	-	Short-term investment
	Bank Utd Houston TX Mtn	-	Short-term investment
	Bear Stearns Cos Inc.	-	Short-term investment
	Bear Stearns Cos Inc. Medium Te	-	Short-term investment
	Berkshire Hathaway Fin Corp.	-	Short-term investment
	Bristol Myers Squibb Co.	-	Short-term investment
	British Telecommunications PLC	-	Short-term investment
	Cargill Inc.	-	Short-term investment
	Chase Manhattan Corp. New	-	Short-term investment
	Cit Group Hldgs Inc.	-	Short-term investment
	Citigroup Inc.	-	Short-term investment
	Citigroup Inc.	-	Short-term investment
	Citigroup Inc.	-	Short-term investment
	Colonial Pipeline Co.	-	Short-term investment
	Compaq Computer Corp.	-	Short-term investment
	Consolidated Edison Co. NY Inc.	-	Short-term investment
	Corestates Cap Corp.	-	Short-term investment
	Countrywide Fdg Corp. Mtn	-	Short-term investment
	Countrywide Home Lns Inc.	-	Short-term investment
	Credit Suisse Fb USA Inc.	-	Short-term investment
	Credit Suisse First Boston	-	Short-term investment
	Credit Suisse First Boston USA	-	Short-term investment
	Daimlerchrysler North Amer	-	Short-term investment
	Daimlerchrysler North Amer Hld	-	Short-term investment
	Dell Computer Corp.	-	Short-term investment
	Den Danske BK Aktieselskab	-	Short-term investment
	Deutsche Telekom Intl Fin BV	-	Short-term investment
	Diageo PLC	-	Short-term investment
	Dow Chem Co.	-	Short-term investment
	European Invt Bk	-	Short-term investment
	Fifth Third Bk Cincinnati OH	-	Short-term investment
	First Data Corp.	-	Short-term investment
	First Un Corp.	-	Short-term investment
	Fleet Finl Group Inc. New	-	Short-term investment
	Fleet Finl Corp Inc. New	-	Short-term investment
	Ford Mtr Cr Co.	-	Short-term investment
	FPL Group Cap Inc.	-	Short-term investment
	FPL Group Cap Inc.	-	Short-term investment
	General Elec Cap Corp. Mtn	-	Short-term investment
	General Elec Cap Corp. Mtn	-	Short-term investment
	General Elec Cap Corp. Mtn	-	Short-term investment
	Genworth Finl Inc.	-	Short-term investment
	Goldman Sachs Group Inc. Mtn	-	Short-term investment
	Goldman Sachs Group LP	-	Short-term investment
	Goldman Sachs Group LP	-	Short-term investment
	Greenpoint Finl Corp.	-	Short-term investment
	GTE Corp.	-	Short-term investment

December 31, 2004					Note
Shares/Units (In Thousand)	Carrying Value (US\$ in Thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousand)		
-	US\$ 3,130	N/A	US\$ 3,087		
-	US\$ 1,058	N/A	US\$ 1,042		
-	US\$ 3,800	N/A	US\$ 3,803		
-	US\$ 3,795	N/A	US\$ 3,795		
-	US\$ 3,005	N/A	US\$ 2,991		
-	US\$ 1,972	N/A	US\$ 1,978		
-	US\$ 1,012	N/A	US\$ 1,001		
-	US\$ 1,525	N/A	US\$ 1,509		
-	US\$ 3,945	N/A	US\$ 3,943		
-	US\$ 2,715	N/A	US\$ 2,717		
-	US\$ 580	N/A	US\$ 574		
-	US\$ 3,518	N/A	US\$ 3,493		
-	US\$ 3,105	N/A	US\$ 3,105		
-	US\$ 1,498	N/A	US\$ 1,494		
-	US\$ 3,819	N/A	US\$ 3,788		
-	US\$ 2,104	N/A	US\$ 2,091		
-	US\$ 2,120	N/A	US\$ 2,079		
-	US\$ 1,628	N/A	US\$ 1,613		
-	US\$ 3,203	N/A	US\$ 3,195		
-	US\$ 2,000	N/A	US\$ 2,002		
-	US\$ 1,033	N/A	US\$ 1,033		
-	US\$ 3,583	N/A	US\$ 3,523		
-	US\$ 1,625	N/A	US\$ 1,612		
-	US\$ 3,719	N/A	US\$ 3,593		
-	US\$ 3,687	N/A	US\$ 3,618		
-	US\$ 1,062	N/A	US\$ 1,060		
-	US\$ 2,158	N/A	US\$ 2,151		
-	US\$ 5,210	N/A	US\$ 5,157		
-	US\$ 2,645	N/A	US\$ 2,599		
-	US\$ 786	N/A	US\$ 779		
-	US\$ 2,249	N/A	US\$ 2,240		
-	US\$ 997	N/A	US\$ 999		
-	US\$ 749	N/A	US\$ 755		
-	US\$ 3,054	N/A	US\$ 3,025		
-	US\$ 2,192	N/A	US\$ 2,166		
-	US\$ 1,852	N/A	US\$ 1,838		
-	US\$ 3,459	N/A	US\$ 3,477		
-	US\$ 921	N/A	US\$ 911		
-	US\$ 8,315	N/A	US\$ 8,236		
-	US\$ 2,419	N/A	US\$ 2,466		
-	US\$ 3,013	N/A	US\$ 2,986		
-	US\$ 970	N/A	US\$ 965		
-	US\$ 494	N/A	US\$ 493		
-	US\$ 975	N/A	US\$ 962		
-	US\$ 1,542	N/A	US\$ 1,535		
-	US\$ 1,001	N/A	US\$ 990		
-	US\$ 860	N/A	US\$ 846		
-	US\$ 3,467	N/A	US\$ 3,455		
-	US\$ 1,040	N/A	US\$ 1,040		
-	US\$ 3,886	N/A	US\$ 3,878		
-	US\$ 3,412	N/A	US\$ 3,408		
-	US\$ 3,505	N/A	US\$ 3,494		
-	US\$ 1,637	N/A	US\$ 1,599		
-	US\$ 1,100	N/A	US\$ 1,075		
-	US\$ 974	N/A	US\$ 972		
-	US\$ 2,134	N/A	US\$ 2,109		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account
	Hancock John Global Fdg Mtn	-	Short-term investment
	Hartford Finl Svcs Group Inc.	-	Short-term investment
	Hartford Finl Svcs Group Inc.	-	Short-term investment
	Heller Finl Inc.	-	Short-term investment
	Hershey Foods Corp.	-	Short-term investment
	Hewlett Packard Co.	-	Short-term investment
	Honeywell Inc.	-	Short-term investment
	Household Fin Corp.	-	Short-term investment
	Household Fin Corp.	-	Short-term investment
	Household Fin Corp. Mtn Bk Ent	-	Short-term investment
	HSBC USA Inc. New	-	Short-term investment
	Huntington Natl Bk	-	Short-term investment
	Huntington Natl Bk Columbus OH	-	Short-term investment
	ING Bank	-	Short-term investment
	ING Sec Life Ins Ingslf	-	Short-term investment
	Intl Bk For Recon + Dev	-	Short-term investment
	JP Morgan Chase + Co.	-	Short-term investment
	Jackson Natl Life Global Fdg	-	Short-term investment
	Jackson Natl Life Global Fdg S	-	Short-term investment
	JP Morgan Chase + Co.	-	Short-term investment
	Keycorp Mtn Book Entry	-	Short-term investment
	KFW Intl Fin Inc.	-	Short-term investment
	Kraft Foods Inc.	-	Short-term investment
	Kraft Foods Inc.	-	Short-term investment
	Lehman Brothers Hldgs Inc.	-	Short-term investment
	Lehman Brothers Hldgs Inc.	-	Short-term investment
	Lehman Brothers Hldgs Inc.	-	Short-term investment
	Lilly Eli + Co.	-	Short-term investment
	Lincoln Natl Corp. In	-	Short-term investment
	Merita Bk Ltd NY Brh	-	Short-term investment
	Merrill Lynch + Co. Inc.	-	Short-term investment
	Metropolitan Life Global Mtn	-	Short-term investment
	Monumental Global Fdg II	-	Short-term investment
	Monumental Global Fdg II	-	Short-term investment
	Monumental Global Fdg II 2002A	-	Short-term investment
	Morgan Stanley	-	Short-term investment
	Morgan Stanley Group Inc.	-	Short-term investment
	Morgan Stanley Group Inc.	-	Short-term investment
	National Westminster Bk PLC	-	Short-term investment
	Nationsbank Corp.	-	Short-term investment
	Nationwide Bldg Soc	-	Short-term investment
	Nationwide Life Global Mtn	-	Short-term investment
	Pepsico Inc. Mtn Book Entry	-	Short-term investment
	PNC Fdg Corp.	-	Short-term investment
	Popular North Amer Inc. Mtn	-	Short-term investment
	Premark Intl Inc.	-	Short-term investment
	Prcoa Global Fdg I Mtn	-	Short-term investment
	Prcoa Global Fdg I Mtn	-	Short-term investment
	Principal Life Global Fdg I GI	-	Short-term investment
	Protective Life Secd Trs	-	Short-term investment
	Prudential Ins Co. Amer	-	Short-term investment
	Reinsurance Group Amer Inc.	-	Short-term investment
	Royal Bk Scotland Group PLC	-	Short-term investment
	Royal Bk Scotland Group PLC	-	Short-term investment
	Royal Bk Scotland Group PLC	-	Short-term investment
	Safeco Corp.	-	Short-term investment

December 31, 2004					Note
Shares/Units (In Thousand)	Carrying Value (US\$ in Thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousand)		
-	US\$ 1,003	N/A	US\$ 986		
-	US\$ 765	N/A	US\$ 758		
-	US\$ 296	N/A	US\$ 296		
-	US\$ 1,171	N/A	US\$ 1,163		
-	US\$ 1,627	N/A	US\$ 1,606		
-	US\$ 3,373	N/A	US\$ 3,305		
-	US\$ 3,284	N/A	US\$ 3,218		
-	US\$ 529	N/A	US\$ 522		
-	US\$ 2,993	N/A	US\$ 2,985		
-	US\$ 3,542	N/A	US\$ 3,510		
-	US\$ 1,154	N/A	US\$ 1,134		
-	US\$ 3,003	N/A	US\$ 3,000		
-	US\$ 2,954	N/A	US\$ 2,961		
-	US\$ 2,114	N/A	US\$ 2,113		
-	US\$ 3,012	N/A	US\$ 3,007		
-	US\$ 5,232	N/A	US\$ 5,102		
-	US\$ 1,043	N/A	US\$ 1,039		
-	US\$ 1,036	N/A	US\$ 1,032		
-	US\$ 2,998	N/A	US\$ 2,988		
-	US\$ 3,663	N/A	US\$ 3,629		
-	US\$ 3,500	N/A	US\$ 3,502		
-	US\$ 5,104	N/A	US\$ 5,027		
-	US\$ 773	N/A	US\$ 765		
-	US\$ 1,037	N/A	US\$ 1,036		
-	US\$ 1,163	N/A	US\$ 1,162		
-	US\$ 3,705	N/A	US\$ 3,634		
-	US\$ 2,171	N/A	US\$ 2,154		
-	US\$ 3,750	N/A	US\$ 3,749		
-	US\$ 519	N/A	US\$ 518		
-	US\$ 538	N/A	US\$ 533		
-	US\$ 3,486	N/A	US\$ 3,481		
-	US\$ 1,907	N/A	US\$ 1,910		
-	US\$ 2,500	N/A	US\$ 2,501		
-	US\$ 1,534	N/A	US\$ 1,516		
-	US\$ 1,045	N/A	US\$ 1,034		
-	US\$ 2,136	N/A	US\$ 2,128		
-	US\$ 3,638	N/A	US\$ 3,628		
-	US\$ 1,050	N/A	US\$ 1,048		
-	US\$ 1,433	N/A	US\$ 1,422		
-	US\$ 3,644	N/A	US\$ 3,549		
-	US\$ 3,457	N/A	US\$ 3,477		
-	US\$ 1,463	N/A	US\$ 1,469		
-	US\$ 3,818	N/A	US\$ 3,817		
-	US\$ 1,080	N/A	US\$ 1,075		
-	US\$ 3,042	N/A	US\$ 3,022		
-	US\$ 2,954	N/A	US\$ 2,914		
-	US\$ 3,507	N/A	US\$ 3,503		
-	US\$ 3,050	N/A	US\$ 3,047		
-	US\$ 3,168	N/A	US\$ 3,102		
-	US\$ 2,920	N/A	US\$ 2,969		
-	US\$ 2,648	N/A	US\$ 2,610		
-	US\$ 2,091	N/A	US\$ 2,089		
-	US\$ 1,563	N/A	US\$ 1,547		
-	US\$ 564	N/A	US\$ 558		
-	US\$ 369	N/A	US\$ 364		
-	US\$ 765	N/A	US\$ 763		

(Continued)

December 31, 2004					Note
Shares/Units (In Thousand)	Carrying Value (US\$ in Thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousand)		
-	US\$ 3,160	N/A	US\$ 3,100		
-	US\$ 1,596	N/A	US\$ 1,601		
-	US\$ 3,681	N/A	US\$ 3,617		
-	US\$ 2,251	N/A	US\$ 2,245		
-	US\$ 1,533	N/A	US\$ 1,532		
-	US\$ 3,604	N/A	US\$ 3,553		
-	US\$ 500	N/A	US\$ 501		
-	US\$ 2,950	N/A	US\$ 2,985		
-	US\$ 991	N/A	US\$ 992		
-	US\$ 1,062	N/A	US\$ 1,060		
-	US\$ 1,084	N/A	US\$ 1,067		
-	US\$ 519	N/A	US\$ 514		
-	US\$ 2,943	N/A	US\$ 2,965		
-	US\$ 2,755	N/A	US\$ 2,704		
-	US\$ 3,119	N/A	US\$ 3,097		
-	US\$ 2,669	N/A	US\$ 2,687		
-	US\$ 2,884	N/A	US\$ 2,838		
-	US\$ 2,559	N/A	US\$ 2,561		
-	US\$ 3,720	N/A	US\$ 3,600		
-	US\$ 3,670	N/A	US\$ 3,602		
-	US\$ 4,768	N/A	US\$ 4,689		
-	US\$ 4,735	N/A	US\$ 4,682		
-	US\$ 3,182	N/A	US\$ 3,180		
-	US\$ 3,697	N/A	US\$ 3,631		
-	US\$ 1,999	N/A	US\$ 1,999		
-	2,978,804	N/A	2,977,695		
-	915,276	N/A	914,582		
-	407,526	N/A	407,484		
-	405,485	N/A	405,322		
-	202,595	N/A	200,000		
-	US\$ 3,466	N/A	US\$ 3,462		
-	US\$ 2,532	N/A	US\$ 2,520		
-	US\$ 1,042	N/A	US\$ 1,024		
-	US\$ 4,927	N/A	US\$ 4,947		
-	US\$ 7,962	N/A	US\$ 7,939		
-	US\$ 7,014	N/A	US\$ 6,924		
-	US\$ 4,936	N/A	US\$ 4,949		
-	US\$ 4,948	N/A	US\$ 4,944		
-	US\$ 2,454	N/A	US\$ 2,468		
-	US\$ 7,018	N/A	US\$ 7,004		
-	US\$ 4,996	N/A	US\$ 4,973		
-	US\$ 7,042	N/A	US\$ 6,985		
-	US\$ 6,098	N/A	US\$ 6,084		
-	US\$ 2,909	N/A	US\$ 2,907		
-	US\$ 13,953	N/A	US\$ 13,898		
-	US\$ 13,983	N/A	US\$ 13,946		
-	US\$ 13,981	N/A	US\$ 13,946		
-	US\$ 6,978	N/A	US\$ 6,928		
-	US\$ 3,388	N/A	US\$ 3,419		
-	US\$ 4,953	N/A	US\$ 4,941		
-	US\$ 9,997	N/A	US\$ 9,943		
-	US\$ 998	N/A	US\$ 993		
-	US\$ 4,933	N/A	US\$ 4,936		
-	US\$ 4,930	N/A	US\$ 4,938		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account
	Federal Home Loan Mtg Assn	-	Short-term investment
	Federal Home Loan Mtg Corp.	-	Short-term investment
	Federal Natl Mtg Assn	-	Short-term investment
	Federal Natl Mtg Assn	-	Short-term investment
	Federal Natl Mtg Assn	-	Short-term investment
	Federal Natl Mtg Assn	-	Short-term investment
	Federal Natl Mtg Assn	-	Short-term investment
	Federal Natl Mtg Assn Mtn	-	Short-term investment
	Federal Natl Mtg Assn Mtn	-	Short-term investment
	Freddie Mac	-	Short-term investment
	Fed Hm Ln Pc Pool E89857	-	Short-term investment
	Fed Hm Ln Pc Pool G11295	-	Short-term investment
	Federal Home Ln Mtg Corp.	-	Short-term investment
	Federal Home Ln Mtg Corp.	-	Short-term investment
	Federal Home Ln Mtg Corp.	-	Short-term investment
	Federal Home Ln Mtg Corp.	-	Short-term investment
	Federal Natl Mtg Assn	-	Short-term investment
	Federal Natl Mtg Assn	-	Short-term investment
	Federal Natl Mtg Assn	-	Short-term investment
	Federal Natl Mtg Assn Gtd	-	Short-term investment
	FNMA Pool 685116	-	Short-term investment
	FNMA Pool 725095	-	Short-term investment
	FNMA Pool 790828	-	Short-term investment
	FNMA Pool 793932	-	Short-term investment
	FNMA Pool 794040	-	Short-term investment
	FNMA Pool 795548	-	Short-term investment
	FNMA Pool 806642	-	Short-term investment
	GNMA II Pool 081150	-	Short-term investment
	GNMA II Pool 081153	-	Short-term investment
	Government Natl Mtg Assn	-	Short-term investment
	<u>Corporate issued asset-backed securities</u>		
	Aegis Asset Backed Secs Tr	-	Short-term investment
	Aesop Fed II LLC	-	Short-term investment
	Aesop Fed II LLC	-	Short-term investment
	American Express Cr Account Ma	-	Short-term investment
	American Home Mtg Invt Tr	-	Short-term investment
	Americredit Automobile Receiv	-	Short-term investment
	Americredit Automobile Rec Tr	-	Short-term investment
	Americredit Automobile Rec Tr	-	Short-term investment
	Americredit Automobile Receivb	-	Short-term investment
	Atlantic City Elc Trns Fdg LLC	-	Short-term investment
	Banc Amer Coml Mtg Inc.	-	Short-term investment
	Banc Amer Mtg Secs Inc.	-	Short-term investment
	Bank of Amer Lease Equip Tr	-	Short-term investment
	Bear Stearns Alt A Tr	-	Short-term investment
	Bear Stearns Asset Backed Secs	-	Short-term investment
	BMW Veh Owner Tr	-	Short-term investment
	California Infr + Economic Dev	-	Short-term investment
	California Infr + Economic	-	Short-term investment
	California Infrastructure Dev	-	Short-term investment
	Capital Auto Receivables Asset	-	Short-term investment
	Capital One Auto Fin Tr	-	Short-term investment
	Capital One Auto Fin Tr	-	Short-term investment
	Capital One Auto Fin Tr	-	Short-term investment
	Capital One Multi Asset Execut	-	Short-term investment

December 31, 2004					Note
Shares/Units (In Thousand)	Carrying Value (US\$ in Thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousand)		
-	US\$ 4,847	N/A	US\$ 4,891		
-	US\$ 4,903	N/A	US\$ 4,943		
-	US\$ 5,270	N/A	US\$ 5,237		
-	US\$ 6,940	N/A	US\$ 6,937		
-	US\$ 6,903	N/A	US\$ 6,917		
-	US\$ 4,981	N/A	US\$ 4,953		
-	US\$ 6,997	N/A	US\$ 6,983		
-	US\$ 15,787	N/A	US\$ 15,798		
-	US\$ 7,000	N/A	US\$ 6,976		
-	US\$ 4,929	N/A	US\$ 4,934		
-	US\$ 2,535	N/A	US\$ 2,531		
-	US\$ 2,277	N/A	US\$ 2,273		
-	US\$ 6,096	N/A	US\$ 6,075		
-	US\$ 4,435	N/A	US\$ 4,440		
-	US\$ 3,558	N/A	US\$ 3,539		
-	US\$ 3,645	N/A	US\$ 3,615		
-	US\$ 4,242	N/A	US\$ 4,188		
-	US\$ 2,141	N/A	US\$ 2,126		
-	US\$ 4,765	N/A	US\$ 4,719		
-	US\$ 3,486	N/A	US\$ 3,446		
-	US\$ 1,003	N/A	US\$ 1,002		
-	US\$ 2,008	N/A	US\$ 2,003		
-	US\$ 4,807	N/A	US\$ 4,773		
-	US\$ 994	N/A	US\$ 994		
-	US\$ 1,021	N/A	US\$ 1,020		
-	US\$ 977	N/A	US\$ 975		
-	US\$ 2,006	N/A	US\$ 2,004		
-	US\$ 999	N/A	US\$ 997		
-	US\$ 3,789	N/A	US\$ 3,766		
-	US\$ 1,734	N/A	US\$ 1,700		
-	US\$ 2,000	N/A	US\$ 2,004		
-	US\$ 4,955	N/A	US\$ 4,963		
-	US\$ 1,912	N/A	US\$ 1,888		
-	US\$ 3,445	N/A	US\$ 3,427		
-	US\$ 949	N/A	US\$ 949		
-	US\$ 2,002	N/A	US\$ 1,998		
-	US\$ 1,055	N/A	US\$ 1,048		
-	US\$ 2,000	N/A	US\$ 1,990		
-	US\$ 4,949	N/A	US\$ 4,912		
-	US\$ 926	N/A	US\$ 923		
-	US\$ 5,364	N/A	US\$ 5,315		
-	US\$ 4,030	N/A	US\$ 4,006		
-	US\$ 4,023	N/A	US\$ 3,995		
-	US\$ 1,478	N/A	US\$ 1,489		
-	US\$ 2,000	N/A	US\$ 2,000		
-	US\$ 4,978	N/A	US\$ 4,941		
-	US\$ 4,298	N/A	US\$ 4,230		
-	US\$ 6,126	N/A	US\$ 6,064		
-	US\$ 5,089	N/A	US\$ 5,035		
-	US\$ 4,018	N/A	US\$ 3,992		
-	US\$ 319	N/A	US\$ 318		
-	US\$ 1,147	N/A	US\$ 1,145		
-	US\$ 3,000	N/A	US\$ 2,989		
-	US\$ 4,957	N/A	US\$ 4,977		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account
	Caterpillar Finl Asset Tr	-	Short-term investment
	Centex Home Equity Ln Tr	-	Short-term investment
	Cit Equip Coll Tr	-	Short-term investment
	Citibank Cr Card Issuance Tr	-	Short-term investment
	Citicorp Mtg Secs	-	Short-term investment
	CNH Equip Tr	-	Short-term investment
	Comm 2004 Htl 1	-	Short-term investment
	Credit Suisse First Boston Mtg	-	Short-term investment
	CWABS Inc.	-	Short-term investment
	CWABS Inc.	-	Short-term investment
	CWABS Inc.	-	Short-term investment
	CWABS Inc.	-	Short-term investment
	CWABS Inc.	-	Short-term investment
	CWABS Inc.	-	Short-term investment
	CWALT Inc.	-	Short-term investment
	CWABS Inc.	-	Short-term investment
	CWABS Inc.	-	Short-term investment
	Daimlerchrysler Auto Tr	-	Short-term investment
	Daimlerchrysler Auto Tr	-	Short-term investment
	Daimlerchrysler Auto Tr	-	Short-term investment
	Detroit Edison Securitization	-	Short-term investment
	Fifth Third Auto Tr	-	Short-term investment
	Finance Amer Mtg Ln Tr	-	Short-term investment
	First Franklin Mtg Ln Tr	-	Short-term investment
	First Horizon Abs Tr	-	Short-term investment
	First Union Lehman Bros Mtg Tr	-	Short-term investment
	First USA Credit Cr Master Tr	-	Short-term investment
	Ford Cr Auto Owner Tr	-	Short-term investment
	Granite Mtgs PLC	-	Short-term investment
	GS Auto Ln Tr	-	Short-term investment
	GS Mtg Secs Corp.	-	Short-term investment
	Harley Davidson Motorcycle Tr	-	Short-term investment
	Harley Davidson Motorcycle Tr	-	Short-term investment
	Holmes Fing No 8 PLC	-	Short-term investment
	Honda Auto Receivables	-	Short-term investment
	Household Automotive Tr	-	Short-term investment
	Hyundai Auto Receivables Tr	-	Short-term investment
	IMPAC Cmb Tr	-	Short-term investment
	IMPAC Cmb Tr	-	Short-term investment
	IMPAC Secd Assets Corp.	-	Short-term investment
	Long Beach Accep Auto Receivab	-	Short-term investment
	Merrill Lynch Mtg Invs Inc.	-	Short-term investment
	Merrill Lynch Mtg Invs Inc.	-	Short-term investment
	Monumentl Global Fdg II	-	Short-term investment
	National City Auto Receivables	-	Short-term investment
	Navistar finl 2003 A Owner Tr	-	Short-term investment
	Nissan Auto Receivables	-	Short-term investment
	Nissan Auto Receivables Own Tr	-	Short-term investment
	Nissan Auto Receivables Owner	-	Short-term investment
	ONYX Accep Owner Tr	-	Short-term investment
	ONYX Accep Owner Tr	-	Short-term investment
	Providian Gateway Owner Tr	-	Short-term investment
	Providian Gateway Owner Tr	-	Short-term investment
	Reliant Energy Transition Bd	-	Short-term investment
	Residential Asset Mtg Prods	-	Short-term investment
	Residential Asset Mtg Prods	-	Short-term investment

December 31, 2004					Note
Shares/Units (In Thousand)	Carrying Value (US\$ in Thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousand)		
-	US\$ 10,008	N/A	US\$ 9,923		
-	US\$ 3,500	N/A	US\$ 3,493		
-	US\$ 4,999	N/A	US\$ 4,991		
-	US\$ 4,959	N/A	US\$ 4,965		
-	US\$ 2,364	N/A	US\$ 2,363		
-	US\$ 5,000	N/A	US\$ 4,952		
-	US\$ 4,600	N/A	US\$ 4,607		
-	US\$ 4,209	N/A	US\$ 4,178		
-	US\$ 1,647	N/A	US\$ 1,662		
-	US\$ 1,903	N/A	US\$ 1,907		
-	US\$ 1,907	N/A	US\$ 1,912		
-	US\$ 2,000	N/A	US\$ 1,997		
-	US\$ 5,000	N/A	US\$ 5,055		
-	US\$ 3,500	N/A	US\$ 3,541		
-	US\$ 4,292	N/A	US\$ 4,277		
-	US\$ 2,317	N/A	US\$ 2,298		
-	US\$ 4,040	N/A	US\$ 4,040		
-	US\$ 4,991	N/A	US\$ 4,970		
-	US\$ 4,982	N/A	US\$ 4,970		
-	US\$ 4,897	N/A	US\$ 4,893		
-	US\$ 674	N/A	US\$ 671		
-	US\$ 3,000	N/A	US\$ 2,999		
-	US\$ 985	N/A	US\$ 986		
-	US\$ 2,002	N/A	US\$ 2,006		
-	US\$ 2,000	N/A	US\$ 2,000		
-	US\$ 3,567	N/A	US\$ 3,534		
-	US\$ 5,011	N/A	US\$ 5,008		
-	US\$ 10,999	N/A	US\$ 10,936		
-	US\$ 5,000	N/A	US\$ 5,000		
-	US\$ 2,948	N/A	US\$ 2,970		
-	US\$ 2,944	N/A	US\$ 2,944		
-	US\$ 3,417	N/A	US\$ 3,400		
-	US\$ 5,999	N/A	US\$ 5,938		
-	US\$ 5,001	N/A	US\$ 5,052		
-	US\$ 5,000	N/A	US\$ 4,991		
-	US\$ 513	N/A	US\$ 511		
-	US\$ 3,500	N/A	US\$ 3,468		
-	US\$ 1,414	N/A	US\$ 1,413		
-	US\$ 988	N/A	US\$ 988		
-	US\$ 3,570	N/A	US\$ 3,566		
-	US\$ 2,526	N/A	US\$ 2,502		
-	US\$ 1,460	N/A	US\$ 1,460		
-	US\$ 1,500	N/A	US\$ 1,502		
-	US\$ 1,000	N/A	US\$ 1,001		
-	US\$ 1,206	N/A	US\$ 1,207		
-	US\$ 4,928	N/A	US\$ 4,889		
-	US\$ 7,000	N/A	US\$ 6,958		
-	US\$ 4,999	N/A	US\$ 4,993		
-	US\$ 4,853	N/A	US\$ 4,872		
-	US\$ 963	N/A	US\$ 961		
-	US\$ 4,913	N/A	US\$ 4,933		
-	US\$ 4,204	N/A	US\$ 4,201		
-	US\$ 3,992	N/A	US\$ 3,982		
-	US\$ 5,185	N/A	US\$ 5,117		
-	US\$ 3,731	N/A	US\$ 3,672		
-	US\$ 3,000	N/A	US\$ 2,980		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account
	Residential Fdg Mtg Secs I Inc.	-	Short-term investment
	Sequoia Mtg Tr	-	Short-term investment
	Sequoia Mtg Tr	-	Short-term investment
	Sequoia Mtg Tr	-	Short-term investment
	Sequoia Mtg Tr	-	Short-term investment
	Sequoia Mtg Tr	-	Short-term investment
	Structured Adj Rate Mtg Ln Tr	-	Short-term investment
	Structured Asset Secs Corp.	-	Short-term investment
	Thoornburg Mtg Secs Tr	-	Short-term investment
	Toyota Auto Receivables 2003B	-	Short-term investment
	Triad Auto Receivables Tr	-	Short-term investment
	TXU Elec Delivery Transition	-	Short-term investment
	USAA Auto Owner Tr	-	Short-term investment
	Wachovia Auto Owner Tr	-	Short-term investment
	Wachovia Auto Owner Tr	-	Short-term investment
	WFS Financial Owner Trust	-	Short-term investment
	WFS Finl 2004 2 Owner Tr	-	Short-term investment
	WFS Finl 2004 4 Owner Tr	-	Short-term investment
	Whole Auto Ln Tr	-	Short-term investment
	Whole Auto Ln Tr	-	Short-term investment
	Whole Auto Ln Tr	-	Short-term investment
	World Omni Auto Receivables Tr	-	Short-term investment
	<u>Commercial papers</u>		Short-term investment
	<u>Corporate issued notes</u>		Short-term investment
	<u>Money market funds</u>		Short-term investment
	<u>Equity</u>		
	Horizon Venture Fund I, L.P.	-	Long-term investment
	Crimson Asia Capital Ltd., L.P.	-	Long-term investment
TSMC - North America	TSMC stock	Parent company	Short-term investment
Chi Cherng	TSMC stock	Parent company	Short-term investment
Hsin Ruey	TSMC stock	Parent company	Short-term investment
TSMC International	<u>Money market fund</u> BOA Fund	-	Short-term investment
	<u>Stock</u>		
	InveStar	Subsidiary	Long-term investment
	InveStar II	Subsidiary	Long-term investment
	TSMC Development	Subsidiary	Long-term investment
	TSMC Technology	Subsidiary	Long-term investment
	3DFX Interactive Inc.	-	Long-term investment
TSMC Development	WaferTech stock	Subsidiary	Long-term investment
InveStar	<u>Common stock</u> RichTek Technology Corp.	-	Short-term investment
	Advanced Power Electronics Corp.	-	Short-term investment
	Broadtek Electronics Corp.	-	Short-term investment
	Monolithic Power Systems, Inc.	-	Short-term investment

December 31, 2004					Note
Shares/Units (In Thousand)	Carrying Value (US\$ in Thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousand)		
-	US\$ 3,659	N/A	US\$ 3,631		
-	US\$ 2,504	N/A	US\$ 2,513		
-	US\$ 1,960	N/A	US\$ 1,955		
-	US\$ 1,488	N/A	US\$ 1,486		
-	US\$ 2,000	N/A	US\$ 2,000		
-	US\$ 3,500	N/A	US\$ 3,500		
-	US\$ 3,037	N/A	US\$ 3,031		
-	US\$ 1,403	N/A	US\$ 1,394		
-	US\$ 1,921	N/A	US\$ 1,923		
-	US\$ 4,970	N/A	US\$ 4,930		
-	US\$ 5,042	N/A	US\$ 4,997		
-	US\$ 7,736	N/A	US\$ 7,715		
-	US\$ 4,000	N/A	US\$ 3,991		
-	US\$ 6,000	N/A	US\$ 5,991		
-	US\$ 4,999	N/A	US\$ 4,995		
-	US\$ 5,008	N/A	US\$ 4,989		
-	US\$ 4,994	N/A	US\$ 4,992		
-	US\$ 5,399	N/A	US\$ 5,342		
-	US\$ 5,967	N/A	US\$ 5,966		
-	US\$ 4,000	N/A	US\$ 3,969		
-	US\$ 3,000	N/A	US\$ 2,964		
-	US\$ 5,963	N/A	US\$ 5,906		
-	US\$ 2,997	N/A	US\$ 2,997		
-	US\$ 1,999	N/A	US\$ 1,999		
-	US\$ 21,114	N/A	US\$ 21,114		
-	246,485	N/A	246,485		
-	43,649	N/A	43,649		
14,151	677,110	-	696,661		
15,670	458,564	-	771,451		
15,700	459,512	-	772,897		
30,300	US\$ 30,300	N/A	US\$ 30,300		
24,320	US\$ 34,514	97	US\$ 34,514		
51,300	US\$ 34,534	97	US\$ 34,534		
1	US\$ 603,993	100	US\$ 603,993		
1	US\$ 5,544	100	US\$ 5,544		
68	-	-	-		
-	US\$ 484,060	99	US\$ 484,060		
682	US\$ 67	-	US\$ 1,370		
1,108	US\$ 502	-	US\$ 697		
869	US\$ 275	-	US\$ 225		
1,975	US\$ 1,567	-	US\$ 19,910		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	
InveStar II	SIRF Technology Holdings, Inc.	-	Short-term investment	
	Broadtek Electronics Corp.	-	Long-term investment	
	Programmable Microelectronics (Taiwan), Corp.	-	Long-term investment	
	Global Testing Corp.	-	Long-term investment	
	RichTek Technology Corp.	-	Long-term investment	
	Signia Technologies, Inc.	-	Long-term investment	
	Incentia Design Systems, Inc.	-	Long-term investment	
	Advanced Power Electronics Corp.	-	Long-term investment	
	Capella Microsystems (Taiwan), Inc.	-	Long-term investment	
	<u>Preferred stock</u>			
	Integrated Memory Logic, Inc.	-	Long-term investment	
	Sensory, Inc.	-	Long-term investment	
	Sonics, Inc.	-	Long-term investment	
	NanoAmp Solutions, Inc.	-	Long-term investment	
	Memsic, Inc.	-	Long-term investment	
	Reflectivity, Inc.	-	Long-term investment	
	IP Unity	-	Long-term investment	
	Tropian, Inc.	-	Long-term investment	
	<u>Common stock</u>			
	RichTek Technology Corp.	-	Short-term investment	
	Monolithic Power Systems, Inc.	-	Short-term investment	
	eChannel Option Holding, Inc.	-	Long-term investment	
	eLCOS Microdisplay Technology, Ltd.	-	Long-term investment	
	Signia Technologies, Inc.	-	Long-term investment	
	Procoat Technology, Inc.	-	Long-term investment	
	RichTek Technology Corp.	-	Long-term investment	
	Programmable Microelectronics (Taiwan), Inc.	-	Long-term investment	
	Auden Technology MFG. Co., Ltd.	-	Long-term investment	
	GeoVision, Inc.	-	Long-term investment	
	EoNex Technologies, Inc.	-	Long-term investment	
	Conwise Technology Corporation, Ltd.	-	Long-term investment	
	EON Technology, Corp.	-	Long-term investment	
	Goyatek Technology, Corp.	-	Long-term investment	
	Trendchip Technologies Corp.	-	Long-term investment	
	Ralink Technology (Taiwan), Inc.	-	Long-term investment	
	Silicon Data International Co., Inc.	-	Long-term investment	
Capella Microsystems (Taiwan), Inc.	-	Long-term investment		
<u>Preferred stock</u>				
Memsic, Inc.	-	Long-term investment		
eLCOS Microdisplay Technology, Ltd.	-	Long-term investment		
NanoAmp Solutions, Inc.	-	Long-term investment		
Advanced Analogic Technology, Inc.	-	Long-term investment		
Sonics, Inc.	-	Long-term investment		
Reflectivity, Inc.	-	Long-term investment		
Tropian, Inc.	-	Long-term investment		
Kilopass Technologies, Inc.	-	Long-term investment		
FangTek, Inc.	-	Long-term investment		
Alchip Technologies Limited	-	Long-term investment		
Emerging Alliance	<u>Common stock</u>			
	Global Investment Holding, Inc.	-	Long-term investment	
	RichWave Technology Corp.	-	Long-term investment	
	NetLogic Microsystems, Inc.	-	Long-term investment	

December 31, 2004					Note
Shares/Units (In Thousand)	Carrying Value (US\$ in Thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousand)		
90	US\$ 393	-	US\$ 1,157		
145	US\$ 46	-	US\$ 38		
575	US\$ 208	1	US\$ 208		
13,268	US\$ 5,670	9	US\$ 5,670		
842	US\$ 83	1	US\$ 1,692		
701	US\$ 202	3	US\$ 202		
365	US\$ 92	1	US\$ 92		
1,123	US\$ 508	2	US\$ 706		
530	US\$ 154	4	US\$ 154		
1,831	US\$ 1,221	12	US\$ 1,221		
1,404	US\$ 125	6	US\$ 125		
2,686	US\$ 3,530	4	US\$ 3,530		
541	US\$ 853	2	US\$ 853		
2,727	US\$ 1,500	10	US\$ 1,500		
1,064	US\$ 741	2	US\$ 741		
1,008	US\$ 494	2	US\$ 494		
1,758	US\$ 471	3	US\$ 471		
321	US\$ 184	-	US\$ 645		
864	US\$ 2,081	-	US\$ 8,716		
358	US\$ 251	4	US\$ 251		
270	US\$ 27	1	US\$ 27		
351	US\$ 101	1	US\$ 101		
5,123	US\$ 1,940	10	US\$ 1,940		
395	US\$ 226	1	US\$ 794		
177	US\$ 50	-	US\$ 50		
953	US\$ 738	4	US\$ 738		
471	US\$ 127	1	US\$ 127		
55	US\$ 3,048	5	US\$ 3,048		
2,800	US\$ 490	14	US\$ 490		
3,276	US\$ 1,175	8	US\$ 1,175		
2,088	US\$ 545	7	US\$ 545		
2,000	US\$ 861	5	US\$ 861		
1,833	US\$ 791	3	US\$ 791		
2,000	US\$ 204	3	US\$ 204		
419	US\$ 122	3	US\$ 122		
2,289	US\$ 1,560	8	US\$ 1,560		
2,667	US\$ 3,500	15	US\$ 3,500		
375	US\$ 1,500	1	US\$ 1,500		
948	US\$ 1,261	2	US\$ 1,261		
1,582	US\$ 3,082	5	US\$ 3,082		
4,255	US\$ 2,205	5	US\$ 2,205		
1,464	US\$ 393	2	US\$ 393		
3,887	US\$ 2,000	19	US\$ 2,000		
6,806	US\$ 3,250	34	US\$ 3,250		
2,579	US\$ 2,950	18	US\$ 2,950		
10,000	100,000	6	100,000		
2,600	US\$ 867	13	US\$ 867		
113	US\$ 1,388	1	US\$ 1,388		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	
VTAF II	<u>Preferred stock</u> Quake Technologies, Inc.	-	Long-term investment	
	Pixim, Inc.	-	Long-term investment	
	Newport Opticom, Inc.	-	Long-term investment	
	Ikanos Communication, Inc.	-	Long-term investment	
	Quicksilver Technology, Inc.	-	Long-term investment	
	Mosaic Systems, Inc.	-	Long-term investment	
	Zenesis Technologies, Inc.	-	Long-term investment	
	Reflectivity, Inc.	-	Long-term investment	
	Teknovus, Inc.	-	Long-term investment	
	Miradia, Inc. (Formerly XHP Microsystems, Inc.)	-	Long-term investment	
	Axiom Microdevices, Inc.	-	Long-term investment	
	Optichron, Inc.	-	Long-term investment	
	Audience, Inc.	-	Long-term investment	
	Next IO, Inc.	-	Long-term investment	
	NuCORE Technology Inc.	-	Long-term investment	
	Centrality Communications, Inc.	-	Long-term investment	
	Layer N Networks, Inc.	-	Long-term investment	
	GUC	<u>Common stock</u> Yobon Technologies, Inc.	-	Long-term investment
		Sentelic, Corp.	-	Long-term investment
Ivyon Technology, Inc.		-	Long-term investment	
<u>Preferred stock</u> Powerprecise Solutions, Inc.		-	Long-term investment	
Tzero Technologies, Inc.		-	Long-term investment	
Miradia, Inc.		-	Long-term investment	
Agelia Technologies, Inc.		-	Long-term investment	
Audience, Inc.		-	Long-term investment	
Axiom Microdevices, Inc.		-	Long-term investment	
Next IO, Inc.		-	Long-term investment	
GUC	<u>Bond funds</u> Grand Cathay	-	Short-term investment	
	TIIM	-	Short-term investment	
	Polaris De Li	-	Short-term investment	
	EnTrust Kirin	-	Short-term investment	
	E. Sun New Era	-	Short-term investment	
	Jih Sun	-	Short-term investment	
	EnTrust Phoenix	-	Short-term investment	
	Transcend Fortune	-	Short-term investment	
	<u>Stock funds</u> TIIM DaLi	-	Short-term investment	
	UPAMC Global Select Fund of Funds	-	Short-term investment	
	Sheng Hua 9966 Balance	-	Short-term investment	
	<u>Stock</u> Global Unichip Corporation - NA	Subsidiary	Long-term investment	

December 31, 2004					Note
Shares/Units (In Thousand)	Carrying Value (US\$ in Thousand)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousand)		
601	US\$ 450	1	US\$ 450		
1,721	US\$ 2,382	3	US\$ 2,382		
962	US\$ 250	6	US\$ 250		
7,446	US\$ 3,125	3	US\$ 3,125		
1,049	US\$ -	4	US\$ -		
2,481	US\$ 12	6	US\$ 12		
1,204	US\$ 699	4	US\$ 699		
4,848	US\$ 2,479	4	US\$ 2,479		
5,556	US\$ 1,000	3	US\$ 1,000		
3,040	US\$ 1,000	4	US\$ 1,000		
1,000	US\$ 1,000	5	US\$ 1,000		
714	US\$ 1,000	6	US\$ 1,000		
1,654	US\$ 250	2	US\$ 250		
800	US\$ 500	2	US\$ 500		
2,254	US\$ 1,455	2	US\$ 1,455		
809	US\$ 1,000	2	US\$ 1,000		
1,905	US\$ 1,000	2	US\$ 1,000		
1,675	US\$ 787	17	US\$ 787		
600	US\$ 1,022	15	US\$ 1,022		
200	US\$ 775	10	US\$ 775		
258	US\$ 250	3	US\$ 250		
244	US\$ 500	2	US\$ 500		
1,809	US\$ 1,600	2	US\$ 1,600		
1,149	US\$ 1,000	2	US\$ 1,000		
531	US\$ 102	1	US\$ 102		
686	US\$ 700	5	US\$ 700		
216	US\$ 182	-	US\$ 182		
3,608	45,543	N/A	45,544		
703	9,698	N/A	9,698		
1,550	22,800	N/A	22,800		
2,106	22,697	N/A	22,698		
1,920	20,313	N/A	20,314		
772	10,262	N/A	10,262		
2,081	30,563	N/A	30,564		
1,936	22,947	N/A	22,948		
296	5,000	N/A	4,474		
336	3,364	N/A	3,378		
300	3,000	N/A	3,011		
100	3,375	100	3,375		

(Concluded)

TABLE 4

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND AFFILIATES
MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR
20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2004

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

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship
The Company	<u>Money market funds</u>			
	BOA Fund	Short-term investment	BOA	-
	GS Fund	Short-term investment	Goldman Sachs	-
	<u>Bond funds</u>			
	JF Taiwan Bond Fund	Short-term investment	JF Asset Management (Taiwan) Ltd.	-
	ABN AMRO Bond Fund	Short-term investment	ABN AMRO	-
	ABN AMRO Select Bond Fund	Short-term investment	ABN AMRO	-
	JF Taiwan First Bond Fund	Short-term investment	JF Asset Management (Taiwan) Ltd.	-
	INVESCO R.O.C Bond A Fund	Short-term investment	INVESCO Asset Management Taiwan	-
	Dresdner Bond DAM Fund	Short-term investment	Allianz Dresdner Securities Investment Consulting Co., Ltd.	-
	Barits Bond Fund	Short-term investment	Barits Securities Investment Trust Co., Ltd.	-
	Shin Kong Chi Shin Bond Fund	Short-term investment	Shinkong Investment Trust Co., Ltd.	-
	NITC Bond Fund	Short-term investment	National Investment Trust Co., Ltd.	-
	HSBC NTD Money Management Fund	Short-term investment	HSBC Asset Management (Taiwan) Ltd.	-
	<u>Bonds under repurchase agreement</u>	Short-term investment	Chung Shing Bills Finance Corp. and several financial institutions	-
	<u>Government bonds</u>			
	1994 Government Bond Series C	Short-term investment	Chung Shing Bills Finance Corp. and several financial institutions	-
	2002 Government Bond Series A	Short-term investment	BNP and several financial institutions	-
	2002 Government Bond Series E	Short-term investment	BNP and several financial institutions	-
	2002 Government Bond Series J	Short-term investment	BNP and several financial institutions	-
	2003 Government Bond Series A	Short-term investment	BNP and several financial institutions	-
	United States Treas NTS	Short-term investment	-	-
	2003 Government Bond Series I	Long-term investment	FCB and several financial institutions	-
	2004 Government Bond Series A	Long-term investment	China Bills Finance Corp. and several financial institutions	-
	2004 Government Bond Series E	Long-term investment	BNP and several financial institutions	-
	2004 Kaohsiung Municipal Bond Series A	Long-term investment	KGI Securities Co., Ltd. and several financial institutions	-
	<u>Corporate bonds</u>			
	Taiwan Power Company	Short-term investment	KGI Securities Co., Ltd.	-
	Allstate Finl Global Fdg LLC	Short-term investment	-	-
	American Express Co.	Short-term investment	-	-
	American Express Cr Corp. Mtn	Short-term investment	-	-
	American Gen Fin Corp. Mtn	Short-term investment	-	-
	American Gen Fin Corp. Mtn	Short-term investment	-	-
	American Honda Fin Corp. Mtn	Short-term investment	-	-
	American Honda Fin Corp. Mtn	Short-term investment	-	-
	American Honda Fin Corp. Mtn	Short-term investment	-	-
	American Intl Group Inc. Mtnf	Short-term investment	-	-
	Amgen Inc.	Short-term investment	-	-
	Bank New York Inc.	Short-term investment	-	-
	Bank One Corp.	Short-term investment	-	-
	Bear Stearns Cos Inc.	Short-term investment	-	-
Bear Stearns Cos Inc.	Short-term investment	-	-	
Bear Stearns Cos Inc. Medium Te	Short-term investment	-	-	
Bristol Myers Squibb Co.	Short-term investment	-	-	
Brown Forman Corp.	Short-term investment	-	-	
Cardinal Health Inc.	Short-term investment	-	-	
Cit Group Hldgs Inc.	Short-term investment	-	-	
Citigroup Inc.	Short-term investment	-	-	

Beginning Balance		Acquisition		Disposal				Ending Balance	
Shares/Units (Thousand)	Amount (US\$ in Thousand)	Shares/Units (Thousand)	Amount (US\$ in Thousand)	Shares/Units (Thousand)	Amount (US\$ in Thousand)	Carrying Value (US\$ in Thousand)	Gain (Loss) on Disposal (US\$ in Thousand)	Shares/Units (Thousand)	Amount (US\$ in Thousand) (Note 1)
40,000	\$ 1,359,120 (US\$ 40,000)	-	\$ -	40,000	\$ 1,359,120 (US\$ 40,000)	\$ 1,359,120 (US\$ 40,000)	\$ -	-	\$ -
20,000	679,560 (US\$ 20,000)	-	-	20,000	679,560 (US\$ 20,000)	679,560 (US\$ 20,000)	-	-	-
34,343	500,000	68,021	1,000,000	23,666	350,000	346,791	3,209	78,698	1,153,209
34,794	500,000	165,257	2,400,000	65,145	950,000	943,825	6,175	134,906	1,956,175
-	-	18,235	200,000	-	-	-	-	18,235	200,000
-	-	110,580	1,500,000	25,694	350,000	348,537	1,463	84,886	1,151,463
-	-	93,975	1,350,000	17,270	250,000	248,089	1,911	76,705	1,101,911
-	-	80,833	900,000	-	-	-	-	80,833	900,000
-	-	76,640	900,000	-	-	-	-	76,640	900,000
-	-	151,594	2,100,000	-	-	-	-	151,594	2,100,000
-	-	3,764	600,000	-	-	-	-	3,764	600,000
-	-	41,568	600,000	-	-	-	-	41,568	600,000
-	1,800,000	-	2,577,163	-	4,127,714	4,127,714	-	-	249,449
-	1,422,197	-	-	-	1,427,762	1,422,197	5,565	-	-
-	3,157,331	-	-	-	3,169,750	3,157,331	12,419	-	-
-	3,113,066	-	-	-	3,133,875	3,113,066	20,809	-	-
-	-	-	2,023,206	-	2,031,500	2,023,206	8,294	-	-
-	-	-	1,207,409	-	-	-	-	-	1,207,409
-	-	-	US\$ 699,398	-	US\$ 506,162	US\$ 507,041	US\$ (879)	-	US\$ 192,357
-	-	-	3,402,213	-	-	-	-	-	3,397,081
-	-	-	2,349,573	-	-	-	-	-	2,349,573
-	-	-	3,890,925	-	-	-	-	-	3,893,827
-	-	-	620,000	-	-	-	-	-	620,000
-	-	-	2,777,798	-	-	-	-	-	2,777,798
-	-	-	US\$ 3,171	-	-	-	-	-	US\$ 3,171
-	-	-	US\$ 3,550	-	-	-	-	-	US\$ 3,550
-	-	-	US\$ 3,503	-	US\$ 3,504	US\$ 3,503	US\$ 1	-	-
-	-	-	US\$ 3,130	-	-	-	-	-	US\$ 3,130
-	-	-	US\$ 3,702	-	-	-	-	-	US\$ 3,702
-	-	-	US\$ 3,509	-	US\$ 3,509	US\$ 3,509	-	-	-
-	-	-	US\$ 3,750	-	US\$ 3,755	US\$ 3,750	US\$ 5	-	-
-	-	-	US\$ 3,800	-	-	-	-	-	US\$ 3,800
-	-	-	US\$ 3,795	-	-	-	-	-	US\$ 3,795
-	-	-	US\$ 3,005	-	-	-	-	-	US\$ 3,005
-	-	-	US\$ 3,945	-	-	-	-	-	US\$ 3,945
-	-	-	US\$ 3,693	-	US\$ 3,695	US\$ 3,693	US\$ 2	-	-
-	-	-	US\$ 3,805	-	US\$ 3,816	US\$ 3,805	US\$ 11	-	-
-	-	-	US\$ 3,518	-	-	-	-	-	US\$ 3,518
-	-	-	US\$ 3,105	-	-	-	-	-	US\$ 3,105
-	-	-	US\$ 3,819	-	-	-	-	-	US\$ 3,819
-	-	-	US\$ 3,277	-	US\$ 3,280	US\$ 3,277	US\$ 3	-	-
-	-	-	US\$ 3,837	-	US\$ 3,795	US\$ 3,837	US\$ (42)	-	-
-	-	-	US\$ 3,203	-	-	-	-	-	US\$ 3,203
-	-	-	US\$ 3,583	-	-	-	-	-	US\$ 3,583

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship
	Compaq Computer Corp.	Short-term investment	-	-
	Consolidated Edison Co. NY Inc.	Short-term investment	-	-
	Countrywide Fdg Corp. Mtn	Short-term investment	-	-
	Countrywide Home Lns Inc.	Short-term investment	-	-
	Credit Suisse First Boston USA	Short-term investment	-	-
	Dell Computer Corp.	Short-term investment	-	-
	Diageo PLC	Short-term investment	-	-
	European Invnt Bk	Short-term investment	-	-
	Federal Home Ln Mtg Corp	Short-term investment	-	-
	Federal Home Loan Mtg Assn	Short-term investment	-	-
	First Data Corp.	Short-term investment	-	-
	General Elec Cap Corp. Mtn	Short-term investment	-	-
	General Elec Cap Corp. Mtn	Short-term investment	-	-
	General Elec Cap Corp. Mtn	Short-term investment	-	-
	Genworth Finl Inc.	Short-term investment	-	-
	Goldman Sachs Group Inc Mtn	Short-term investment	-	-
	Goldman Sachs Group LP	Short-term investment	-	-
	Hewlett Packard Co.	Short-term investment	-	-
	Honeywell Inc.	Short-term investment	-	-
	Household Fin Corp.	Short-term investment	-	-
	Household Fin Corp. Mtn Bk Ent	Short-term investment	-	-
	Huntington Natl Bk	Short-term investment	-	-
	ING Sec Life Ins Ingsf	Short-term investment	-	-
	Intl Bk For Recon + Dev	Short-term investment	-	-
	JP Morgan Chase + Co.	Short-term investment	-	-
	JP Morgan Chase + Co.	Short-term investment	-	-
	JP Morgan Chase + Co.	Short-term investment	-	-
	Keycorp Mtn Book Entry	Short-term investment	-	-
	KFW Intl Fin Inc.	Short-term investment	-	-
	Lehman Brothers Hldgs Inc.	Short-term investment	-	-
	Lehman Brothers Hldgs Inc.	Short-term investment	-	-
	Lilly Eli + Co.	Short-term investment	-	-
	Merrill Lynch + Co Inc.	Short-term investment	-	-
	Merrill Lynch + Co Inc.	Short-term investment	-	-
	Monumental Global Fdg II 2002A	Short-term investment	-	-
	Morgan Stanley Group Inc.	Short-term investment	-	-
	Morgan Stanley Group Inc.	Short-term investment	-	-
	Nationsbank Corp.	Short-term investment	-	-
	Nationwide Bldg Soc	Short-term investment	-	-
	Nationwide Life Global Mtn	Short-term investment	-	-
	Pepsico Inc. Mtn Book Entry	Short-term investment	-	-
	Popular North Amer Inc Mtn	Short-term investment	-	-
	Pricoa Global Fdg I Mtn	Short-term investment	-	-
	Pricoa Global Fdg I Mtn	Short-term investment	-	-
	Principal Life Global Fdg I GI	Short-term investment	-	-
	Salomon Smith Barney Hldgs Inc.	Short-term investment	-	-
	SBC Communications Inc.	Short-term investment	-	-
	Shell Finance (UK) PLC	Short-term investment	-	-
	TIAA Global Mkts Inc.	Short-term investment	-	-
	Unitedhealth Group Inc.	Short-term investment	-	-
	Viacom Inc.	Short-term investment	-	-
	Viacom Inc.	Short-term investment	-	-
	Wachovia Corp.	Short-term investment	-	-
	Walmart Cda Venture Corp.	Short-term investment	-	-
	Washington Mut Fin Corp.	Short-term investment	-	-
	Washington Mut Inc.	Short-term investment	-	-
	Washington Post Co.	Short-term investment	-	-
	Wells Fargo + Co. New	Short-term investment	-	-
	China Steel Corporation	Long-term investment	Chung Shing Bills Finance Corp.	-
	Taiwan Power Company	Long-term investment	BNP and several financial institutions	-
	Nan Ya Plastics Corporation	Long-term investment	Chung Shing Bills Finance Corp.	-
	Formosa Plastics Corporation	Long-term investment	Chung Shing Bills Finance Corp.	-
	Formosa Petrochemical Corporation	Long-term investment	Chung Shing Bills Finance Corp.	-
	Agency bonds			
	Federal Home Ln Mtg Corp.	Short-term investment	-	-
	Federal Home Ln Mtg Corp.	Short-term investment	-	-

Beginning Balance		Acquisition		Disposal				Ending Balance	
Shares/Units (Thousand)	Amount (US\$ in Thousand)	Shares/Units (Thousand)	Amount (US\$ in Thousand)	Shares/Units (Thousand)	Amount (US\$ in Thousand)	Carrying Value (US\$ in Thousand)	Gain (Loss) on Disposal (US\$ in Thousand)	Shares/Units (Thousand)	Amount (US\$ in Thousand) (Note 1)
-	\$ -	-	US\$ 3,719	-	\$ -	\$ -	\$ -	-	US\$ 3,719
-	-	-	US\$ 3,687	-	-	-	-	-	US\$ 3,687
-	-	-	US\$ 3,534	-	US\$ 3,540	US\$ 3,534	US\$ 6	-	-
-	-	-	US\$ 5,210	-	-	-	-	-	US\$ 5,210
-	-	-	US\$ 3,177	-	US\$ 3,188	US\$ 3,177	US\$ 11	-	-
-	-	-	US\$ 3,054	-	-	-	-	-	US\$ 3,054
-	-	-	US\$ 3,459	-	-	-	-	-	US\$ 3,459
-	-	-	US\$ 8,315	-	-	-	-	-	US\$ 8,315
-	-	-	US\$ 4,237	-	-	-	-	-	US\$ 4,237
-	-	-	US\$ 4,847	-	-	-	-	-	US\$ 4,847
-	-	-	US\$ 3,013	-	-	-	-	-	US\$ 3,013
-	-	-	US\$ 3,507	-	US\$ 3,498	US\$ 3,507	US\$ (9)	-	-
-	-	-	US\$ 3,467	-	-	-	-	-	US\$ 3,467
-	-	-	US\$ 3,886	-	-	-	-	-	US\$ 3,886
-	-	-	US\$ 3,412	-	-	-	-	-	US\$ 3,412
-	-	-	US\$ 3,505	-	-	-	-	-	US\$ 3,505
-	-	-	US\$ 3,820	-	-	-	-	-	US\$ 3,820
-	-	-	US\$ 3,373	-	-	-	-	-	US\$ 3,373
-	-	-	US\$ 3,284	-	-	-	-	-	US\$ 3,284
-	-	-	US\$ 3,712	-	US\$ 3,633	US\$ 3,712	US\$ (79)	-	-
-	-	-	US\$ 3,542	-	-	-	-	-	US\$ 3,542
-	-	-	US\$ 3,003	-	-	-	-	-	US\$ 3,003
-	-	-	US\$ 3,012	-	-	-	-	-	US\$ 3,012
-	-	-	US\$ 5,232	-	-	-	-	-	US\$ 5,232
-	-	-	US\$ 3,638	-	US\$ 3,601	US\$ 3,638	US\$ (37)	-	-
-	-	-	US\$ 3,128	-	-	-	-	-	US\$ 3,128
-	-	-	US\$ 3,663	-	-	-	-	-	US\$ 3,663
-	-	-	US\$ 3,500	-	-	-	-	-	US\$ 3,500
-	-	-	US\$ 5,104	-	-	-	-	-	US\$ 5,104
-	-	-	US\$ 3,417	-	US\$ 3,381	US\$ 3,417	US\$ (36)	-	-
-	-	-	US\$ 3,705	-	-	-	-	-	US\$ 3,705
-	-	-	US\$ 3,750	-	-	-	-	-	US\$ 3,750
-	-	-	US\$ 3,497	-	US\$ 3,498	US\$ 3,497	US\$ 1	-	-
-	-	-	US\$ 3,486	-	-	-	-	-	US\$ 3,486
-	-	-	US\$ 3,129	-	-	-	-	-	US\$ 3,129
-	-	-	US\$ 5,741	-	-	-	-	-	US\$ 5,741
-	-	-	US\$ 4,763	-	US\$ 3,713	US\$ 4,763	-	-	US\$ 1,050
-	-	-	US\$ 3,644	-	-	-	-	-	US\$ 3,644
-	-	-	US\$ 3,457	-	-	-	-	-	US\$ 3,457
-	-	-	US\$ 3,413	-	-	-	-	-	US\$ 3,413
-	-	-	US\$ 3,818	-	-	-	-	-	US\$ 3,818
-	-	-	US\$ 3,042	-	-	-	-	-	US\$ 3,042
-	-	-	US\$ 3,507	-	-	-	-	-	US\$ 3,507
-	-	-	US\$ 3,050	-	-	-	-	-	US\$ 3,050
-	-	-	US\$ 3,168	-	-	-	-	-	US\$ 3,168
-	-	-	US\$ 3,160	-	-	-	-	-	US\$ 3,160
-	-	-	US\$ 3,681	-	-	-	-	-	US\$ 3,681
-	-	-	US\$ 3,604	-	-	-	-	-	US\$ 3,604
-	-	-	US\$ 3,631	-	US\$ 3,131	US\$ 3,112	US\$ 19	-	US\$ 519
-	-	-	US\$ 3,119	-	-	-	-	-	US\$ 3,119
-	-	-	US\$ 3,177	-	US\$ 3,135	US\$ 3,177	US\$ (42)	-	-
-	-	-	US\$ 3,172	-	US\$ 3,175	US\$ 3,172	US\$ 3	-	-
-	-	-	US\$ 3,720	-	-	-	-	-	US\$ 3,720
-	-	-	US\$ 3,670	-	-	-	-	-	US\$ 3,670
-	-	-	US\$ 4,768	-	-	-	-	-	US\$ 4,768
-	-	-	US\$ 4,735	-	-	-	-	-	US\$ 4,735
-	-	-	US\$ 3,182	-	-	-	-	-	US\$ 3,182
-	-	-	US\$ 3,697	-	-	-	-	-	US\$ 3,697
-	-	-	2,997,430	-	-	-	-	-	2,978,804
-	-	-	950,646	-	-	-	-	-	915,276
-	-	-	408,538	-	-	-	-	-	407,526
-	-	-	406,245	-	-	-	-	-	405,485
-	-	-	202,980	-	-	-	-	-	202,595
-	-	-	US\$ 6,096	-	-	-	-	-	US\$ 6,096
-	-	-	US\$ 4,725	-	-	-	-	-	US\$ 4,725

(Continued)

Beginning Balance		Acquisition		Disposal				Ending Balance	
Shares/Units (Thousand)	Amount (US\$ in Thousand)	Shares/Units (Thousand)	Amount (US\$ in Thousand)	Shares/Units (Thousand)	Amount (US\$ in Thousand)	Carrying Value (US\$ in Thousand)	Gain (Loss) on Disposal (US\$ in Thousand)	Shares/Units (Thousand)	Amount (US\$ in Thousand) (Note 1)
-	\$ -	-	US\$ 3,558	-	\$ -	\$ -	\$ -	-	US\$ 3,558
-	-	-	US\$ 5,861	-	-	-	-	-	US\$ 5,861
-	-	-	US\$ 3,393	-	-	-	-	-	US\$ 3,393
-	-	-	US\$ 6,130	-	-	-	-	-	US\$ 6,130
-	-	-	US\$ 6,371	-	-	-	-	-	US\$ 6,371
-	-	-	US\$ 7,000	-	-	-	-	-	US\$ 7,000
-	-	-	US\$ 5,014	-	-	-	-	-	US\$ 5,014
-	-	-	US\$ 3,817	-	-	-	-	-	US\$ 3,817
-	-	-	US\$ 4,829	-	US\$ 4,829	US\$ 4,829	-	-	-
-	-	-	US\$ 4,473	-	-	-	-	-	US\$ 4,473
-	-	-	US\$ 3,466	-	-	-	-	-	US\$ 3,466
-	-	-	US\$ 5,210	-	US\$ 4,153	US\$ 4,168	US\$ (15)	-	US\$ 1,042
-	-	-	US\$ 4,927	-	-	-	-	-	US\$ 4,927
-	-	-	US\$ 14,938	-	US\$ 6,980	US\$ 6,976	US\$ 4	-	US\$ 7,962
-	-	-	US\$ 7,014	-	-	-	-	-	US\$ 7,014
-	-	-	US\$ 4,936	-	-	-	-	-	US\$ 4,936
-	-	-	US\$ 9,956	-	US\$ 9,967	US\$ 9,956	US\$ 11	-	-
-	-	-	US\$ 5,264	-	US\$ 5,286	US\$ 5,264	US\$ 22	-	-
-	-	-	US\$ 4,948	-	-	-	-	-	US\$ 4,948
-	-	-	US\$ 7,018	-	-	-	-	-	US\$ 7,018
-	-	-	US\$ 9,993	-	US\$ 5,000	US\$ 4,997	US\$ 3	-	US\$ 4,996
-	-	-	US\$ 7,042	-	-	-	-	-	US\$ 7,042
-	-	-	US\$ 6,098	-	-	-	-	-	US\$ 6,098
-	-	-	US\$ 13,953	-	-	-	-	-	US\$ 13,953
-	-	-	US\$ 13,983	-	-	-	-	-	US\$ 13,983
-	-	-	US\$ 13,981	-	-	-	-	-	US\$ 13,981
-	-	-	US\$ 6,978	-	-	-	-	-	US\$ 6,978
-	-	-	US\$ 3,388	-	-	-	-	-	US\$ 3,388
-	-	-	US\$ 4,907	-	US\$ 4,981	US\$ 4,907	US\$ 74	-	-
-	-	-	US\$ 4,953	-	-	-	-	-	US\$ 4,953
-	-	-	US\$ 9,997	-	-	-	-	-	US\$ 9,997
-	-	-	US\$ 9,971	-	US\$ 9,942	US\$ 9,971	US\$ (29)	-	-
-	-	-	US\$ 11,984	-	US\$ 10,965	US\$ 10,986	US\$ (21)	-	US\$ 998
-	-	-	US\$ 4,933	-	-	-	-	-	US\$ 4,933
-	-	-	US\$ 4,930	-	-	-	-	-	US\$ 4,930
-	-	-	US\$ 4,903	-	-	-	-	-	US\$ 4,903
-	-	-	US\$ 11,036	-	US\$ 10,997	US\$ 11,036	US\$ (39)	-	-
-	-	-	US\$ 10,496	-	US\$ 10,430	US\$ 10,496	US\$ (66)	-	-
-	-	-	US\$ 5,270	-	-	-	-	-	US\$ 5,270
-	-	-	US\$ 4,982	-	US\$ 4,983	US\$ 4,982	US\$ 1	-	-
-	-	-	US\$ 6,940	-	-	-	-	-	US\$ 6,940
-	-	-	US\$ 4,867	-	US\$ 4,938	US\$ 4,867	US\$ 71	-	-
-	-	-	US\$ 6,903	-	-	-	-	-	US\$ 6,903
-	-	-	US\$ 4,981	-	-	-	-	-	US\$ 4,981
-	-	-	US\$ 6,997	-	-	-	-	-	US\$ 6,997
-	-	-	US\$ 4,993	-	US\$ 4,993	US\$ 4,993	-	-	-
-	-	-	US\$ 5,000	-	-	-	-	-	US\$ 5,000
-	-	-	US\$ 15,787	-	-	-	-	-	US\$ 15,787
-	-	-	US\$ 4,929	-	-	-	-	-	US\$ 4,929
-	-	-	US\$ 16,000	-	US\$ 16,000	US\$ 16,000	-	-	-
-	-	-	US\$ 4,955	-	-	-	-	-	US\$ 4,955
-	-	-	US\$ 3,445	-	-	-	-	-	US\$ 3,445
-	-	-	US\$ 4,949	-	-	-	-	-	US\$ 4,949
-	-	-	US\$ 5,503	-	-	-	-	-	US\$ 5,503
-	-	-	US\$ 4,030	-	-	-	-	-	US\$ 4,030
-	-	-	US\$ 4,023	-	-	-	-	-	US\$ 4,023
-	-	-	US\$ 4,978	-	-	-	-	-	US\$ 4,978
-	-	-	US\$ 4,298	-	-	-	-	-	US\$ 4,298
-	-	-	US\$ 8,383	-	-	-	-	-	US\$ 8,383
-	-	-	US\$ 7,419	-	-	-	-	-	US\$ 7,419
-	-	-	US\$ 4,627	-	-	-	-	-	US\$ 4,627
-	-	-	US\$ 3,093	-	US\$ 3,072	US\$ 3,093	US\$ (21)	-	-
-	-	-	US\$ 4,957	-	-	-	-	-	US\$ 4,957
-	-	-	US\$ 5,032	-	US\$ 5,000	US\$ 5,032	US\$ (32)	-	-
-	-	-	US\$ 10,008	-	-	-	-	-	US\$ 10,008

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship
	Centex Home Equity Ln Tr	Short-term investment	-	-
	Cit Equip Coll Tr	Short-term investment	-	-
	Citibank Cr Card Issuance Tr	Short-term investment	-	-
	CHN Equip Tr	Short-term investment	-	-
	Comm 2004 Htl 1	Short-term investment	-	-
	Credit Suisse First Boston Mtg	Short-term investment	-	-
	CWABS Inc.	Short-term investment	-	-
	CWABS Inc.	Short-term investment	-	-
	CWALT Inc.	Short-term investment	-	-
	CWABS Inc.	Short-term investment	-	-
	CWABS Inc.	Short-term investment	-	-
	Daimlerchrysler Auto Tr	Short-term investment	-	-
	Daimlerchrysler Auto Tr	Short-term investment	-	-
	Daimlerchrysler Auto Tr	Short-term investment	-	-
	First Union Lehman Bros Mtg Tr	Short-term investment	-	-
	First USA Credit Cr Master Tr	Short-term investment	-	-
	Ford Cr Auto Owner Tr	Short-term investment	-	-
	GE Cap Cr Card Master Nt Tr	Short-term investment	-	-
	Granite Mtgs PLC	Short-term investment	-	-
	GS Mtg Secs Corp.	Short-term investment	-	-
	Harley Davidson Motorcycle Tr	Short-term investment	-	-
	Harley Davidson Motorcycle Tr	Short-term investment	-	-
	Holmes Fing No 8 PLC	Short-term investment	-	-
	Honda Auto Receivables	Short-term investment	-	-
	Hyundai Auto Receivables Tr	Short-term investment	-	-
	Impac Secd Assets Corp.	Short-term investment	-	-
	Monumentl Global Fdg II	Short-term investment	-	-
	Navistar Finl 2003 A Owner Tr	Short-term investment	-	-
	Nissan Auto Receivables	Short-term investment	-	-
	Nissan Auto Receivables Owner Tr	Short-term investment	-	-
	Nissan Auto Receivables Owner	Short-term investment	-	-
	ONYX Accep Owner Tr	Short-term investment	-	-
	Permanent Fing No 1 PLC	Short-term investment	-	-
	Providian Gateway Owner Tr	Short-term investment	-	-
	Providian Gateway Owner Tr	Short-term investment	-	-
	Reliant Energy Transition Bd	Short-term investment	-	-
	Residential Asset Mtg Prods	Short-term investment	-	-
	Residential Fdg Mtg Secs I Inc	Short-term investment	-	-
	Sequoia Mtg Tr	Short-term investment	-	-
	Structured Adj Rate Mtg Ln Tr	Short-term investment	-	-
	Toyota Auto Receivables 2003 B	Short-term investment	-	-
	Triad Auto Receivables Tr	Short-term investment	-	-
	TXU Elec Delivery Transition	Short-term investment	-	-
	USAA Auto Owner Tr	Short-term investment	-	-
	Wachovia Auto Owner Tr	Short-term investment	-	-
	Wachovia Auto Owner Tr	Short-term investment	-	-
	WFS Financial Owner Trust	Short-term investment	-	-
	WFS Finl 2002 4 Owner Tr	Short-term investment	-	-
	WFS Finl 2004 2 Owner Tr	Short-term investment	-	-
	WFS Finl 2004 4 Owner Tr	Short-term investment	-	-
	Whole Auto Ln Tr	Short-term investment	-	-
	Whole Auto Ln Tr	Short-term investment	-	-
	World Omni Auto Receivables Tr	Short-term investment	-	-
	World Omni Auto Receivables Tr	Short-term investment	-	-
	<u>Money market funds</u>	Short-term investment	-	-
InveStar	<u>Common stock</u> RichTek Technology Corp.	Short-term investment	-	-
	Atheros Communication, Inc.	Short-term investment	-	-
	Monolithic Power Systems, Inc.	Short-term investment	-	-
InveStar II	<u>Common stock</u> RichTek Technology Corp.	Short-term investment	-	-

Note: The ending balance included the recognition of the investment income (loss) by the equity method, the cumulative translation adjustments and the bond premium or discount amortization amount.

Beginning Balance		Acquisition		Disposal				Ending Balance	
Shares/Units (Thousand)	Amount (US\$ in Thousand)	Shares/Units (Thousand)	Amount (US\$ in Thousand)	Shares/Units (Thousand)	Amount (US\$ in Thousand)	Carrying Value (US\$ in Thousand)	Gain (Loss) on Disposal (US\$ in Thousand)	Shares/Units (Thousand)	Amount (US\$ in Thousand) (Note 1)
-	\$ -	-	US\$ 3,500	-	\$ -	\$ -	\$ -	-	US\$ 3,500
-	-	-	US\$ 4,999	-	-	-	-	-	US\$ 4,999
-	-	-	US\$ 4,959	-	-	-	-	-	US\$ 4,959
-	-	-	US\$ 5,000	-	-	-	-	-	US\$ 5,000
-	-	-	US\$ 4,600	-	-	-	-	-	US\$ 4,600
-	-	-	US\$ 5,000	-	-	-	-	-	US\$ 5,000
-	-	-	US\$ 5,000	-	-	-	-	-	US\$ 5,000
-	-	-	US\$ 3,500	-	-	-	-	-	US\$ 3,500
-	-	-	US\$ 4,718	-	-	-	-	-	US\$ 4,718
-	-	-	US\$ 3,129	-	-	-	-	-	US\$ 3,129
-	-	-	US\$ 4,040	-	-	-	-	-	US\$ 4,040
-	-	-	US\$ 4,991	-	-	-	-	-	US\$ 4,991
-	-	-	US\$ 4,982	-	-	-	-	-	US\$ 4,982
-	-	-	US\$ 4,897	-	-	-	-	-	US\$ 4,897
-	-	-	US\$ 4,177	-	-	-	-	-	US\$ 4,177
-	-	-	US\$ 5,011	-	-	-	-	-	US\$ 5,011
-	-	-	US\$ 10,999	-	-	-	-	-	US\$ 10,999
-	-	-	US\$ 4,000	-	US\$ 4,003	US\$ 4,000	US\$ 3	-	-
-	-	-	US\$ 5,000	-	-	-	-	-	US\$ 5,000
-	-	-	US\$ 4,000	-	-	-	-	-	US\$ 4,000
-	-	-	US\$ 4,000	-	-	-	-	-	US\$ 4,000
-	-	-	US\$ 5,999	-	-	-	-	-	US\$ 5,999
-	-	-	US\$ 5,001	-	-	-	-	-	US\$ 5,001
-	-	-	US\$ 5,000	-	-	-	-	-	US\$ 5,000
-	-	-	US\$ 3,500	-	-	-	-	-	US\$ 3,500
-	-	-	US\$ 4,000	-	-	-	-	-	US\$ 4,000
-	-	-	US\$ 3,500	-	-	-	-	-	US\$ 3,500
-	-	-	US\$ 4,928	-	-	-	-	-	US\$ 4,928
-	-	-	US\$ 7,000	-	-	-	-	-	US\$ 7,000
-	-	-	US\$ 4,999	-	-	-	-	-	US\$ 4,999
-	-	-	US\$ 4,853	-	-	-	-	-	US\$ 4,853
-	-	-	US\$ 4,913	-	-	-	-	-	US\$ 4,913
-	-	-	US\$ 5,102	-	US\$ 5,036	US\$ 5,102	US\$ (66)	-	-
-	-	-	US\$ 4,204	-	-	-	-	-	US\$ 4,204
-	-	-	US\$ 3,992	-	-	-	-	-	US\$ 3,992
-	-	-	US\$ 5,185	-	-	-	-	-	US\$ 5,185
-	-	-	US\$ 3,766	-	-	-	-	-	US\$ 3,766
-	-	-	US\$ 3,947	-	-	-	-	-	US\$ 3,947
-	-	-	US\$ 3,500	-	-	-	-	-	US\$ 3,500
-	-	-	US\$ 3,058	-	-	-	-	-	US\$ 3,058
-	-	-	US\$ 4,970	-	-	-	-	-	US\$ 4,970
-	-	-	US\$ 5,042	-	-	-	-	-	US\$ 5,042
-	-	-	US\$ 8,009	-	-	-	-	-	US\$ 8,009
-	-	-	US\$ 4,000	-	-	-	-	-	US\$ 4,000
-	-	-	US\$ 6,000	-	-	-	-	-	US\$ 6,000
-	-	-	US\$ 4,999	-	-	-	-	-	US\$ 4,999
-	-	-	US\$ 5,008	-	-	-	-	-	US\$ 5,008
-	-	-	US\$ 3,904	-	-	-	-	-	US\$ 3,904
-	-	-	US\$ 4,994	-	-	-	-	-	US\$ 4,994
-	-	-	US\$ 5,399	-	-	-	-	-	US\$ 5,399
-	-	-	US\$ 5,967	-	-	-	-	-	US\$ 5,967
-	-	-	US\$ 4,000	-	-	-	-	-	US\$ 4,000
-	-	-	US\$ 5,963	-	-	-	-	-	US\$ 5,963
-	-	-	US\$ 5,000	-	US\$ 4,986	US\$ 5,000	US\$ (14)	-	-
-	-	-	US\$ 21,114	-	-	-	-	-	US\$ 21,114
947	US\$ 121	-	-	1,595	US\$ 6,783	US\$ 184	US\$ 6,598	682	US\$ 67
1,205	US\$ 3,593	-	-	1,205	US\$ 8,972	US\$ 3,593	US\$ 5,379	-	-
2,521	US\$ 2,000	-	-	546	US\$ 4,318	US\$ 433	US\$ 3,885	1,975	US\$ 1,567
465	US\$ 346	-	-	768	US\$ 3,394	US\$ 519	US\$ 2,875	321	US\$ 184

(Concluded)

TABLE 5

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND AFFILIATES
ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE
PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2004

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

Company Name	Types of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party
The Company	Fab. 12	April 21, 2004	\$ 1,484,370	By the construction progress	IDC Taiwan, Inc., Taiwan Branch (U.S.A.)
	Fab. 12	April 21, 2004	420,168	By the construction progress	CHRIST AG
	Fab. 12	April 22, 2004	224,800	By the construction progress	Allis Electric Co., Ltd.
	Fab. 12	May 12, 2004	340,307	By the construction progress	United Industry gas Corp., Ltd.
	Fab. 12	May 12, 2004	116,181	By the construction progress	United Industry gas Corp., Ltd.
	Fab. 12	May 12, 2004	133,092	By the construction progress	BOC EDWARDS, CMS
	Fab. 12	June 17, 2004	165,208	By the construction progress	Organo Corporation
	Fab. 12	July 2, 2004	225,744	By the construction progress	Marketch International Corp.
	Fab. 12	July 8, 2004	100,767	By the construction progress	Kanto Chemical Co., Inc.
	Fab. 12	July 8, 2004	466,833	By the construction progress	United Integrated Services Co., Ltd.
	Fab. 14	August 3, 2004	300,000	By the construction progress	United Integrated Services Co., Ltd.
	Fab. 12	August 5, 2004	122,969	By the construction progress	Marketch International Corp.
	Fab. 12	August 5, 2004	185,984	By the construction progress	Marketch International Corp.
	Fab. 12	August 5, 2004	182,060	By the construction progress	Marketch International Corp.
	Fab. 12	October 15, 2004	105,299	By the construction progress	IDC Taiwan, Inc., Taiwan Branch (U.S.A.)

TABLE 6

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND AFFILIATES
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF
THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2004

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

Company Name	Related Party	Nature of Relationship	Transaction Details	
			Purchase/Sale	Amount
The Company	TSMC - North America	Subsidiary	Sales	\$ 142,271,732
	Philips and its affiliates	Major shareholder	Sales	5,463,565
	GUC	Investee	Sales	371,546
	WaferTech	Subsidiary	Purchases	15,203,047
	VIS	Investee	Purchases	9,169,602
	SSMC	Investee	Purchases	5,869,123

Nature of Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
	Owner	Relationship	Transfer Date	Amount			
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None

Transaction Details		Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
55	Net 30 days after invoice date	None	None	\$ 15,526,964	47	
2	Net 30 days after monthly closing	None	None	581,487	2	
-	Net 30 days after monthly closing	None	None	56,436	-	
34	Net 30 days after monthly closing	None	None	(913,107)	9	
13	Net 30 days after monthly closing	None	None	(1,533,938)	16	
21	Net 30 days after monthly closing	None	None	(207,794)	2	

TABLE 7

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND AFFILIATES
RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE
PAID-IN CAPITAL
DECEMBER 31, 2004

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

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate
The Company	TSMC - North America TSMC - Shanghai Philips and its affiliates	Subsidiary Subsidiary Major shareholder	\$ 15,526,964 1,473,365 581,487	38 days (Note) 49 days

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

TABLE 8

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND AFFILIATES
NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES
SIGNIFICANT INFLUENCE
DECEMBER 31, 2004

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

Investor Company	Investee Company	Location	Main Businesses and Products
The Company	TSMC - North America	San Jose, California, U.S.A.	Sales and marketing of integrated circuits and semiconductor devices
	TSMC - Europe	Amsterdam, the Netherlands	Marketing activities
	TSMC - Japan	Yokohama, Japan	Marketing activities
	TSMC - Shanghai	Shanghai, China	Manufacturing and marketing of integrated circuits and semiconductor devices
	VIS	Hsin-Chu, Taiwan	Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts
	TSMC International	Tortola, British Virgin Islands	Providing investment in companies involved in the design, manufacture, and other related business in the semiconductor industry
	Chi Cheng	Taipei, Taiwan	Investment activities
	Hsin Ruey	Taipei, Taiwan	Investment activities
	TSMC Partners	Tortola, British Virgin Islands	Investment activities
	SSMC	Singapore	Fabrication and supply of integrated circuits
	Emerging Alliance	Cayman Islands	Investing in new start-up technology companies
	GUC	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits
	VisEra	Hsin-Chu, Taiwan	Manufacturing, material wholesaling and retailing of electronic spare parts
	VTAF II	Cayman Islands	Investing in new start-up technology companies

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

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

Overdue			Amounts Received in Subsequent Period	Allowance for Bad Debts
Amount	Action Taken			
\$ 5,044,202	-	-	\$ 6,013,414	\$ -
145,146	Accelerate demand on account receivables		-	-
7,136	-	-	13,726	-

Original Investment Amount		Balance as of December 31, 2004			Net Income (Loss) of the Investee	Investment Gain (Loss)(Note 2)	Note
December 31, 2004	December 31, 2003	Shares (Thousand)	Percentage of Ownership	Carrying Value (Note 1)			
\$ 333,178	\$ 333,178	11,000	100	\$ 502,242	\$ 120,587	\$ 112,543	Subsidiary
15,749	15,749	-	100	25,439	262	262	Subsidiary
83,760	83,760	6	100	102,572	2,919	2,919	Subsidiary
9,187,962	1,890,952	-	100	8,113,511	(727,036)	(727,036)	Subsidiary
8,119,816	8,119,816	409,532	28	5,401,982	4,706,668	1,329,555	Investee
31,445,780	31,445,780	987,968	100	23,778,997	2,598,162	2,598,162	Subsidiary
300,000	300,000	-	36	50,570	21,359	(664)	Investee
300,000	300,000	-	36	49,823	21,887	(491)	Investee
10,350	10,350	300	100	3,908,356	43,117	43,117	Subsidiary
6,408,190	6,408,190	382	32	3,290,888	2,288,786	732,418	Investee
1,447,957	1,179,690	-	99	823,232	(97,767)	(97,278)	Subsidiary
409,920	409,920	39,040	47	391,626	30,424	23,279	Investee
51,000	51,000	5,100	25	59,116	35,540	8,885	Investee
332,412	-	-	98	329,968	18,373	14,648	Subsidiary

TABLE 9

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY, LTD. AND AFFILIATES
INFORMATION OF INVESTMENT IN MAINLAND CHINA
DECEMBER 31, 2004

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (RMB in Thousand)	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2004 (US\$ in Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2004 (US\$ in Thousand)
					Outflow (US\$ in Thousand)	Inflow	
TSMC (Shanghai) Company Limited	Manufacturing and marketing of integrated circuits and semiconductor devices	\$ 9,187,962 (RMB 2,284,355)	(Note 1)	\$ 1,890,952 (US\$ 56,000)	\$ 7,297,010 (US\$ 220,000)	\$ -	\$ 9,187,962 (US\$ 276,000)

Percentage of Ownership in Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2004	Accumulated Inward Remittance of Earnings as of December 31, 2004	Accumulated Investment in Mainland China as of December 31, 2004 (US\$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand)	Upper Limit on Investment (US\$ in Thousand)
100%	\$ (727,036)	\$ 8,113,511	\$ -	\$ 9,187,962 (US\$ 276,000)	\$ 11,841,207 (US\$ 371,000)	\$ 11,841,207 (US\$ 371,000)

Note 1: Direct investment in TSMC (Shanghai) US\$276,000 thousand.

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

3. Internal Control System Execution Status

3.1 Taiwan Semiconductor Manufacturing Company Limited

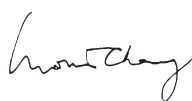
Statement of Internal Control System (Translation)

Date: February 22, 2005

Based on the findings of a self-assessment, Taiwan Semiconductor Manufacturing Company Limited (TSMC) states the following with regard to its internal control system during the period from January 1, 2004 to December 31, 2004:

1. TSMC is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. TSMC has established such a system aimed at providing reasonable assurance regarding the achievement of objectives in the following categories: (1) effectiveness and efficiency of operations (including profitability, performance, and safeguarding of assets), (2) reliability of financial reporting, and (3) compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless, the internal control system of TSMC contains self-monitoring mechanisms, and TSMC takes corrective actions whenever a deficiency is identified.
3. TSMC evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies promulgated by the Securities and Futures Bureau of the Financial Supervisory Commission (hereinbelow, the "Regulations"). The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Each component further contains several items. Please refer to the Regulations for details.
4. TSMC has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, TSMC believes that, during the year 2004, its internal control system (including its supervision of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.
6. This Statement will be an integral part of TSMC's Annual Report for the year 2004 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors in their meeting held on February 22, 2005, with none of the eight attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Taiwan Semiconductor Manufacturing Company Limited



Morris Chang,
Chairman of the Board of Directors



Rick Tsai,
President

3.2 The Securities and Futures Bureau may request companies to commission CPAs to audit the said internal control system. Disclosure of the audit report(s) is mandatory: Not Applicable

4. Major issues of record or written statements made by any director or supervisor which specified his/her dissent to important resolutions passed by the Board of Directors during 2004 or the period from January 1, 2005 to March 10, 2005: None

5. Private Placement Securities: None

6. Balance of TSMC Common Shares/ADR Acquired, Disposed of and Held by Subsidiaries

Unit: NT\$ thousands / US\$ thousands

Name of Subsidiary (Note 1)	Paid-in Capital	Fund Source	Percentage of Ownership	Transaction Date	Acquisition (Note 2)		Disposal		Investment Income (Loss)	Balance as of Period End		Balance of Pledged Shares	Balance of Guarantee Provided by TSMC	Balance of Financing Provided by TSMC
					Shares	Amount	Shares	Amount		Shares	Amount			
Chi Cherg Investment Co., Ltd.	840,000	Retained earnings	36%	Year 2004	1,934,873	-	-	-	-	15,670,344	458,564	-	-	-
				Year 2005 (Note 1)	-	-	-	-	-	15,670,344	458,564	-	-	-
Hsin Ruey Investment Co., Ltd.	840,000	Retained earnings	36%	Year 2004	1,938,499	-	-	-	-	15,699,717	459,512	-	-	-
				Year 2005 (Note 1)	-	-	-	-	-	15,699,717	459,512	-	-	-
TSMC North America	US\$11,000	Retained earnings	100%	Year 2004	1,802,731	-	752,328	39,906	1,864	14,151,151	677,110	-	US\$40,000	-
				Year 2005 (Note 1)	-	-	59,000	3,134	311	14,092,151	674,287	-	US\$40,000	-

Note 1: As of 02/28/2005

Note 2: Stock dividend distributed in 2004

7. Major decisions of Shareholder Meetings and Board Meetings

Review of Shareholder Meetings

TSMC's 2004 Annual Shareholder Meeting was held at the Auditorium of the Activity Center of the Hsinchu Science Park on May 11, 2004. At the meeting, shareholders present in person or by proxy approved the following resolutions: (1) Acceptance of the 2003 business report and financial statements; (2) Distribution of 2003 profits; (3) Capitalization of 2003 profits.

TSMC held a Special Shareholder Meeting at No.8 Li-Hsin Rd.6, Hsinchun Science Park on December 21, 2004. At the meeting, shareholders present in person or by proxy approved the revision to the dividend policy as specified in Article 35 of TSMC's Articles of Incorporation.

Review of Board Meetings

During the 2004 calendar year, and the period from January 1, 2005 to March 10, 2005, the Board held five regular meetings and one special meeting. Major resolutions passed at these meetings are summarized below:

(1) The 2003 business report and financial statements; (2) Distribution of 2003 profits; (3) Convening the 2004 Annual Shareholder Meeting; (4) 2004 R&D project and sustaining capital appropriation; (5) The promotion of Mr. P. H. Chang as Vice President; (6) A share buyback plan to repurchase TSMC's common shares traded on the Taiwan Stock Exchange; (7) The 2004 semi-annual financial statement; (8) The cancellation of 124,720,000 shares of treasury stocks and the capital reduction of NT\$1,247,200,000; (9) The appointment of Dr. Wei-Jen Lo as Vice President; (10) Revision to the dividend policy as specified in Article 35 of Articles of Incorporation; (11) Convening the Special Shareholder Meeting; and (12) TSMC's 2004 Employee Stock Options Plan; (13) The 2004 business report and financial statements; (14) Distribution of 2004 profits; (15) Convening the 2005 Annual Shareholder Meeting; (16) 2005 R&D project and sustaining capital appropriation; (17) The appointment of Mr. Jason Chen as Vice President.

8. Legal Penalties

Regulatory authorities' legal penalties to the Company, and the Company's resulting punishment on its employees: None

9. Any events in 2004 that had significant impacts on shareholders' right or security prices as stated in Item 2 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan:

None

10. Other Necessary Supplement: None



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Taiwan Semiconductor Manufacturing Company, Ltd.



Morris Chang, Chairman

