

Taiwan Semiconductor Reports 5% Increase in Sequential EPS Driven by 5% Higher Revenue

Hsin-Chu, Taiwan, R.O.C., January 29, 2004 -- Taiwan Semiconductor Manufacturing Company, Ltd. today announced revenues of NT\$57.78 billion, net income of NT\$16 billion and fully diluted earnings per share of NT\$0.79 (US\$0.12 per ADS unit) for the fourth quarter ended December 31, 2003. For the full year of 2003, TSMC's revenue was NT\$201.9 billion, 25% higher than in year 2002. Net income for the entire year grew 119% to NT\$47.3 billion, while fully diluted earnings per share jumped 122% to NT\$2.33 (US\$0.34 per ADS unit).

On a sequential basis, fourth quarter results represent a 5.3% increase in revenue, a 5.5% increase in net income and a 5.2% increase in fully diluted EPS. All figures were prepared in accordance with R.O.C. GAAP on an unconsolidated basis.

The increase in fourth quarter revenue resulted from a 13.5% increase in wafer shipments, a 5.5% decline in wafer average selling price (ASP), and a weaker U.S. dollar exchange rate. Gross Margin for the quarter improved slightly to 39.3% from 39.1% in the previous quarter due to higher utilization levels. Net Margin for the quarter was 27.7% as compared to 27.6% previously.

Lora Ho, vice president and chief financial officer, said the Company's key financial indicators – cash flow, liquidity, and debt coverage – remained healthy.

“Fourth quarter's results brought TSMC's revenues for both the quarter and the full year to new records. We are proud to be among the very few industry leaders whose 2003 top-line performance has surpassed levels achieved in the past.” said Ho. “We expect the performance of the coming quarter to be at least as good as that of the fourth quarter.”

Ho also confirmed that key industry drivers such as outsourcing, capital efficiency requirements, and the increased complexity of advanced integrated circuits continue to favor TSMC.

Ho said that, based upon the current business outlook, management's expectations for first quarter 2004 performance are:

- Wafer shipments to increase by a low single digit percentage point sequentially;
- ASP to decline slightly, but magnitude is less than that of the previous quarter;
- Overall utilization rate to be about 100 percent or slightly higher;
- Gross profit margin percentage to remain essentially unchanged sequentially;
- Demand to improve in the communications segment, remain flat for consumer segment, but experience seasonal decline in the computer segment.

Ho said management also expects 2004 capital expenditure to be about US\$2 billion.

Conference Call & Webcast Notice:

TSMC's quarterly review conference call will be held at 8 A.M. Eastern Time (9 P.M. Taiwan Time) on Thursday, January 29, 2004. The conference call will also be webcast live on the Internet. Investors wishing to access the live webcast should visit TSMC's web site at <http://www.tsmc.com> at least 15 minutes prior to the broadcast. Instructions will be provided on the web site to facilitate the download and installation of necessary audio applications. Investors without Internet access may listen to the conference call, in listen only mode, by dialing 1-303-262-2075 in the U.S. and 852-3009-3050 in other locations (Password: TSMC). An archived version of the webcast will be available on the TSMC web site for six months following the Company's quarterly review conference call and webcast.

Profile

TSMC (TAIEX: 2330, NYSE: TSM) is the world's largest dedicated semiconductor foundry, providing the industry's leading manufacturing capacity, process technology, library and IP options, and other leading-edge foundry services. TSMC currently operates one twelve-inch wafer fab, five eight-inch wafer fabs and one six-inch fab. The Company also has substantial capacity commitments at a wholly owned U.S. subsidiary (WaferTech) and a joint-venture fab (SSMC). TSMC's 300mm wafer fab (Fab 12), the first of its kind in Taiwan, commenced commercial production in January 2002. TSMC's corporate headquarters are in Hsin-Chu, Taiwan. More information about TSMC is available through the World Wide Web at <http://www.tsmc.com>.

Safe Harbor Notice:

The statements included in this press release that are not historical in nature are "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. TSMC cautions readers that forward-looking statements are subject to significant risks and uncertainties and are based on TSMC's current expectations. Actual results may differ materially from those contained in such forward-looking statements for a variety of reasons including, among others, risks associated with cyclical and market conditions in the semiconductor industry; demand and supply for TSMC's foundry manufacturing capacity in particular and for foundry manufacturing capacity in general; intense competition; the failure of one or more significant customers to continue to place the same level of orders with us; TSMC's ability to remain a technological leader in the semiconductor industry; TSMC's ability to manage its capacity; TSMC's ability to obtain, preserve and defend its intellectual property rights; natural disasters and other unexpected events which may disrupt production; and exchange rate fluctuations. Additional information as to these and other risk factors that may cause TSMC's actual results to differ materially from TSMC's forward-looking statements may be found in TSMC's Annual Report on Form 20-F, filed with the United States Securities and Exchange Commission (the "SEC") on June 23, 2003, TSMC's registration statement on Form F-3, filed with the SEC on October 21, 2003, and such other documents as TSMC may file with, or submit to, the SEC from time to time. Except as required by law, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future events, or otherwise.

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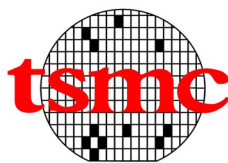
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(Management Report and Tables Follow)

FOR IMMEDIATE RELEASE



4Q03

Quarterly Management Report
January 29, 2004

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Topics in This Report

- Revenue Analysis
- Utilization & Capacity
- Profit & Expense Analysis
- Financial Condition Review
- Cash Flow & CapEx
- Recap of Recent Important Events & Announcements

Operating Results Review:

Summary:

<i>(Amount in NT\$ Bn except noted otherwise)</i>	<u>4Q03</u>	<u>3Q03</u>	<u>4Q02</u>	<u>QoQ</u>	<u>YoY</u>
EPS (NT\$ per com. shr.) (US\$ per ADR unit)	0.79 0.12	0.75 0.11	0.12 0.02	5%	554%
Net Sales	57.78	54.88	41.15	5%	40%
Gross Profit	22.71	21.45	10.68	6%	113%
Operating Expense	(6.08)	(4.96)	(5.03)	23%	21%
Non-Operating Items	0.94	0.22	(2.57)	332%	n.a.
Net Income	16.00	15.17	2.55	5%	527%
Wafers Shipped (kpcs 8"-equiv.)	1127	992	682	14%	65%
Capacity Utilization	101%	98%	66%		

Remarks:

EPS of NT\$0.79 for 4Q03 presents a 5.2% increase compared with 3Q03. The operating results of 4Q03 are summarized below:

Net sales grew 5.3% sequentially to NT\$57.8 billion, resulting largely from a 13.5% increase in wafer shipments, a 5.5% decrease in wafer ASP, and a slightly unfavorable foreign exchange.

Gross profit rose 5.9% sequentially to NT\$22.7 billion mainly driven by higher capacity utilization, as gross margin improved to 39.3% from 39.1% in 3Q03.

Operating expenses of NT\$6.1 billion increased 22.6% sequentially. Higher research and development expenditures were the main reason behind the increase.

Net gain from non-operating items amounted to NT\$943 million. This represents a NT\$722 million improvement on a sequential basis; mainly reflecting improved operating performance by TSMC subsidiary/affiliates as well as capital gains from the disposal of venture capital equity investments.

Income before tax rose 5.1% sequentially to NT\$17.6 billion. After NT\$1.6 billion net tax expense, TSMC's 4Q03 net income increased 5.5% to NT\$16.0 billion while net margin improved slightly to 27.7%.

I. Revenue Analysis

I - 1. Wafer Sales Analysis

By Application	4Q03	3Q03	4Q02
Computer	35%	36%	39%
Communication	42%	36%	35%
Consumer	17%	21%	18%
Industrial/Others	4%	5%	5%
Memory	2%	2%	3%

By Technology	4Q03	3Q03	4Q02
0.13um-	18%	19%	8%
0.15um	17%	20%	24%
0.18um	28%	27%	21%
0.25um	20%	19%	25%
0.35um	10%	8%	11%
0.50um+	7%	7%	11%

By Customer Type	4Q03	3Q03	4Q02
Fabless	71%	73%	68%
IDM	29%	26%	31%
System	0%	1%	1%

By Geography	4Q03	3Q03	4Q02
North America	75%	76%	76%
Asia Pacific	12%	11%	14%
Europe	5%	5%	5%
Japan	8%	8%	5%

Revenue Analysis:

Net sales of NT\$57.8 billion was 5.3% higher than the NT\$54.9 billion recorded in 3Q03. The growth in TSMC wafer sales was attributable to 13.5% higher wafer shipments, and was offset partially by 5.5% lower average selling price in U.S. dollar terms and a stronger NT dollar.

Communication applications, especially wireless, were the principal revenue drivers in the quarter. The decrease in demand for Computer and Consumer applications resulted from the seasonality of these applications.

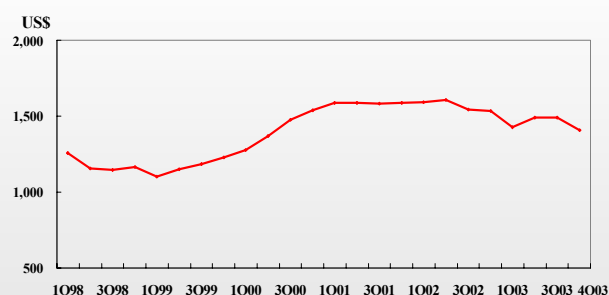
Demand from mature technologies strengthened in 4Q03. Revenue from advanced technology wafers decreased from 66% to 63% of the Company's total wafer sales in the quarter.

Revenue from the IDM segment strengthened to 29% of net sales during the quarter versus 26% in 3Q03.

On a geographical basis, the revenue mix changed little from the previous period.

Revenue contributed by TSMC subsidiary/affiliates amounted to 12% (NT\$7.2 billion) of net sales during the quarter versus 11% (NT\$5.8 billion) in 3Q03.

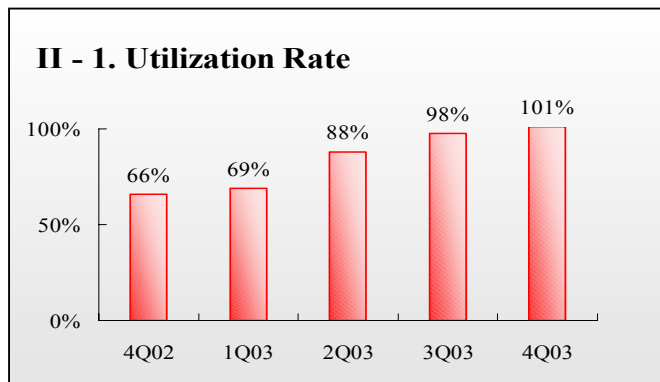
I - 2. ASP Trend



ASP Trend:

Average selling price in U.S. dollars declined 5.5% versus 3Q03. This was mainly due to a product mix shift in favor of mature technologies as well as a competitive pricing environment in 4Q03.

II. Utilization & Capacity



Utilization Rate:

Overall capacity utilization improved to 101% in the latest quarter from 98% in the third quarter. This increase reflected the sequential business improvement experienced in the fourth quarter.

II - 2. Capacity

Fab / (Wafer size)	4Q03 (Act.)	2003 (Act.)	1Q04 (Est.)
Fab-2 (6") ¹	227	872	216
Fab-3 (8")	213	810	208
Fab-5 (8")	112	436	105
Fab-6 (8")	183	679	187
Fab-7 (8")	35	201	53
Fab-8 (8")	189	698	180
Fab-12 (12") ²	40	108	43
TSMC - owned capacity 8"-equivalent Kpcs³	949	3,556	950
Wafer Tech (8")	89	353	88
SSMC (8")	29	105	30
Total TSMC - Managed, 8"-equivalent Kpcs³	1,067	4,014	1,067

Note: ¹ Figures represent number of 6" wafers.
² Figures represent number of 12" wafers.
³ Conversion to 8"-equivalent wafers: division by 1.78 for 6" wafers and multiplication by 2.25 for 12" wafers.

Capacity:

Total TSMC managed capacity in 4Q03 was 1,067k in terms of 8-inch equivalent wafers, representing 5.4% sequential capacity growth.

While the majority of TSMC fabs will conduct annual maintenance in 1Q04, TSMC managed capacity is expected to remain flat from the previous quarter, at 1,067kpcs in terms of 8-inch equivalent wafers.

Annual Maintenance Schedule

Month	Fab
December, 2003	Fab 12
January, 2004	Fab 5
February, 2004	Fab 8
March, 2004	Fab 2
April, 2004	Fab 3 and 7

Overall installed capacity for year 2004 is expected to reach beyond 4.6 million 8-inch equivalent wafers, representing 15% year-on-year growth, while capacity in its 12-inch wafer fabs will increase by about 130%.

III. Profit & Expense Analysis

III - 1. Gross Profit Analysis					
(Amount: NTS Billion)	<u>4Q03</u>	<u>3Q03</u>	<u>4Q02</u>	<u>QoQ</u>	<u>YoY</u>
COGS	35.1	33.4	30.5	5%	15%
Depreciation	13.9	14.0	13.3	-1%	8%
Other MFG Cost	21.2	19.4	17.2	9%	31%
Gross Profit	22.7	21.4	10.7	6%	113%
Gross Margin					
- TSMC	39%	39%	26%		
- TSMC w/o affiliates	44%	43%	28%		

Gross Profit Analysis:

Gross profit increased NT\$1.3 billion to NT\$22.7 billion. Gross margin improved slightly to 39.3% from 39.1% in 3Q03. The increase in gross margin was primarily due to the increase in capacity utilization.

Excluding wafers manufactured by TSMC affiliates, the gross margin from TSMC's manufacturing activities was 44%, up from 43% in the previous quarter.

III - 2. Operating Expense Analysis					
(Amount: NTS Billion)	<u>4Q03</u>	<u>3Q03</u>	<u>4Q02</u>	<u>QoQ</u>	<u>YoY</u>
Total Operating Exp.	6.09	4.96	5.03	23%	21%
SG&A	2.03	1.89	1.49	7%	36%
Research & Development	4.06	3.07	3.54	32%	15%

Operating Expenses:

Operating expenses rose 23% sequentially. Selling, general and administrative expenses increased 7% due to business activity growth. Research and development expenditures increased 32% sequentially due to continued development activities in 0.11 um, 90 nm and 65 nm technologies and in 12-inch wafer manufacturing processes.

III - 3. Non-Operating Items			
(Amount: NTS Million)	<u>4Q03</u>	<u>3Q03</u>	<u>4Q02</u>
Non-Operating Income/(Exp.)	(193)	(141)	(411)
Net Interest Income/(Exp.)	(139)	(168)	(301)
Other Non-Operating	(54)	27	(110)
L-T Investments	1,135	361	2,162
WaferTech*	549	289	(976)
SSMC	131	73	(159)
VIS	99	124	(248)
Miscellaneous	356	(125)	3,545

* Operation results only; does not include amortization of impaired assets.

Non-Operating Items:

The combination of Non-operating Items improved from a gain of NT\$220 million in 3Q03 to a gain of NT\$943 million in 4Q03. Non-operating Expenses of NT\$193 million in the latest quarter was due to net interest expense and foreign exchange hedging costs. A long-term investment gain of NT\$1.1 billion resulted from general improvement of business operations at TSMC subsidiaries/affiliates, as well as gains realized from disposal of venture capital equity investments in the latest quarter.

IV. Financial Condition Review

IV - 1. Liquidity Analysis

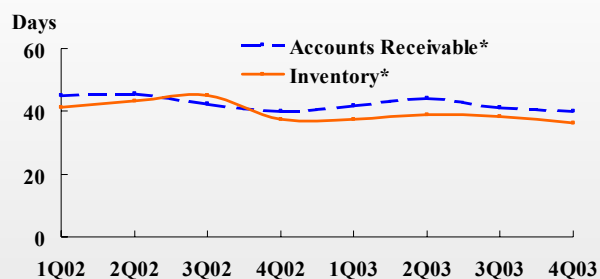
(Amount: NT\$ Billion)	<u>4Q03</u>	<u>3Q03</u>	<u>4Q02</u>
Cash & S-T Investments	110.8	94.4	61.7
Accounts Receivable	25.8	25.0	16.4
Inventory	10.9	11.8	10.3
Total Current Assets	158.5	135.2	94.7
Accounts Payable	25.5	27.2	27.2
Total Current Liabilities	30.5	27.2	31.2
Current Ratio (x)	5.2	5.0	3.0
Net Working Capital	128.0	108.0	63.6

Liquidity Analysis:

Total current assets were NT\$23.3 billion higher on a sequential basis, mainly due to higher levels of cash and short-term investments. The Company's current ratio was 5.2x, slightly higher than the 5.0x in 3Q03.

Net working capital of NT\$128.0 billion was NT\$20.0 billion greater than that in the third quarter, reflecting stronger operating cash flows.

IV - 2. Receivable/Inventory Days Trend



* Income Statement figures, such as Sales or COGS per day, are calculated based on year-to-quarter-end numbers.

Receivable/Inventory Days Trend:

Turnover of receivables improved to the equivalent of 40 days revenue compared to 41 days experienced in the last quarter. The improvement was due to better management of collections during the quarter.

On a year-to-date basis, inventories amounted to an equivalent of 36 days of cost-of-goods-sold, representing a slight decrease from 38 days in the previous quarter.

IV - 3. Debt Service

(Amount: NT\$ Billion)	<u>4Q03</u>	<u>3Q03</u>	<u>4Q02</u>
Cash & S-T Investments	110.8	94.4	61.7
Interest-Bearing Debt	35.0	35.0	39.0
Net Cash Reserves	75.8	59.4	22.7

Debt Service:

Net cash reserves (the excess of cash and equivalents over interest-bearing debt) increased significantly by NT\$16.4 billion to NT\$75.8 billion in 4Q03, reflecting TSMC's consistently strong operating cash flow.

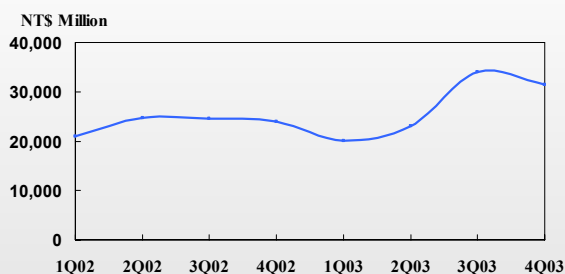
Interest-bearing debt remained unchanged at NT\$35.0 billion.

V. Cash Flow & CapEx

V - 1. Cash Flow Analysis

(Amount: NT\$ Billion)	<u>4Q03</u>	<u>3Q03</u>	<u>4Q02</u>
Net Income	16.0	15.2	2.6
Depreciation & Amortization	15.5	15.5	16.1
Other Op Sources/(Uses)	<u>(0.0)</u>	<u>3.3</u>	<u>5.2</u>
Total Op Sources/(Uses)	<u>31.5</u>	<u>33.9</u>	<u>23.9</u>
Capital Expenditure	(12.8)	(8.2)	(17.9)
Short Term Investment	<u>(0.9)</u>	<u>(8.6)</u>	<u>0.0</u>
Net Investing Sources/(Uses)	<u>(15.9)</u>	<u>(17.4)</u>	<u>(21.7)</u>
Net Financing Sources/(Uses)	<u>(0.1)</u>	<u>(0.4)</u>	<u>(5.1)</u>
Net Cash Position Changes	15.6	16.2	(2.9)

V - 2. Operating Cash Flow Trend



V-3. Capital Commitment and Capacity Highlights

- Actual 2003 capital expenditure: US\$1.1billion.
- Estimated 2004 capital expenditure to be about US\$2 billion.
- Estimated 2004 capacity (excluding VIS): to be around 4.6 million wafers at 8" equivalent, 15% growth year over year.

Summary of Cash Flow:

During 4Q03, TSMC generated NT\$31.5 billion operating cash inflow due mainly to higher net income.

Net cash used in investing activities totaled NT\$15.9 billion, including acquisitions of fixed assets in the amount of NT\$12.8 billion and increases in short-term investments of NT\$0.9 billion. Increases in short-term investments are mainly for purchasing government bonds. Net financing uses of NT\$0.1 billion reflect the return of guarantee deposits to a few customers.

TSMC ended the quarter with NT\$15.6 billion more cash and NT\$0.9 billion more short-term investments than the previous quarter. In total, cash & short-term investment increased by NT\$16.5 billion sequentially.

Operating Cash Flow Trend:

Operating cash flow of NT\$31.5 billion was 7% lower than the previous quarter, largely due to higher net income, essentially flat depreciation, and reclassification of NT\$5.0 billion corporate bond to short-term liabilities.

Capital Spending:

TSMC's capital expenditures during the quarter totaled US\$373.0 million, 58% higher than the previous quarter. Most of the spending was for capacity ramp-up in Fab 12. During 2003, capital expenditures totaled US\$1.1 billion.

TSMC remains fully committed to providing capacity that meets both the fabrication and technological needs of its customers. The Company intends, however, to manage capacity in accordance with the strength of actual and sustainable demand so as to meet its return objectives for shareholders.

VI. Recap of Recent Important Events & Announcements

- **TSMC R&D Team Receives 2003 Outstanding Scientific and Technological Worker Award from Executive Yuen of Republic of China (2003/12/22)**
- **TSMC Filed Law Suit Against SMIC for Patent Infringement and Trade Secret Misappropriation (2003/12/19)**
- **TSMC Reported the December 10 Earthquake Not Expected to Impact TSMC's December Wafer Output (2003/12/11)**
- **TSMC Board of Directors Approved Plans to Expand 300mm Wafer and Advanced Technology Capacity (2003/12/02)**
- **TSMC and OmniVision to Establish Joint Venture VisEra (2003/11/19)**

Please visit TSMC's Web site (<http://www.tsmc.com>) for details about these and other announcements.