



FOR IMMEDIATE RELEASE

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**Taiwan Semiconductor Manufacturing Company, Ltd. Announces
Third-Quarter Earnings for the Period Ended
September 30, 2001**

Hsin-Chu, Taiwan, R. O. C., October 26, 2001 – Taiwan Semiconductor Manufacturing Company, Ltd. (TAIEX: 2330, NYSE: TSM) (“TSMC” or “the Company”), the world’s largest dedicated semiconductor foundry company, today announced the results of its operations for the third quarter ended September 30, 2001. All figures were prepared in accordance with generally accepted accounting principles in Taiwan.

Main Topics Discussed in This Release

- 3Q01 Results: Year-Ago Comparison
- 3Q01 Results: Sequential Comparison
- 2001 Capital Expenditure and Capacity
- Guidance and Outlook
- Conference Call Information

3Q01 Results: Year-Ago Comparison Highlights

- Net sales declined 43% to NT\$26,940 million.
- Quarterly sales¹ of 8-inch equivalent wafers decreased 52% to 448K units.
- Capacity utilization decreased to 41% from 107% due to softer business conditions.
- Operating income declined 90% to NT\$1,942 million.
- Net income declined 94% to NT\$1,237 million.
- Diluted earnings per common share (EPS) decreased to NT\$0.06 from NT\$1.23, or US\$0.008 per ADR versus US\$0.20 per ADR.²

¹ Including resale of wafers outsourced to affiliates : WaferTech, Vanguard and SSMC

² Earnings per share for 3Q00 have been restated to reflect a 40% stock dividend and employee profit sharing of 4,973,251K shares in July 2001. Total weighted average outstanding shares were 16,832,553K in 3Q01 and 16,276,383K in 3Q00.

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Net Sales:

Net sales in the third quarter of 2001 totaled NT\$26,940 million (including NT\$2,345 million contributed from affiliates), down 43% from NT\$47,491 million (including NT\$5,943 million contributed from affiliates) in the year-ago period, primarily reflecting lower unit sales offset in part by a higher average selling price (ASP). Unit shipments of 8-inch equivalent wafers, including sales by affiliates, declined 52% to 448K units in 3Q01 compared with 942K in 3Q00.

Table 1 summarizes TSMC's 3Q01 and 3Q00 sales by application, technology, customer type and geography.

Table 1: Sales Breakdown Based on Revenue (Including Affiliates)³

Segment:	3Q01	3Q00	Segment:	3Q01	3Q00
Application *	(Revenue)	(Unit)	Customer Type	(Revenue)	(Revenue)
Computer	49%	35%	Fabless	67%	65%
Communication	16%	33%	IDM	32%	34%
Consumer	25%	17%	System	1%	1%
Industrial / Others	4%	3%			
Memory	6%	12%			
Technology *	(Revenue)	(Unit)	Geography	(Revenue)	(Revenue)
X ≤ 0.15 μ	15%	-%	North America	69%	63%
0.15 μ < X ≤ 0.18 μ	24%	5%	Asia Pacific	16%	21%
0.18 μ < X ≤ 0.25 μ	31%	29%	Europe	3%	7%
0.25 μ < X ≤ 0.35 μ	16%	38%	Japan	12%	9%
X ≥ 0.50 μ	14%	28%			

Gross Profit:

Gross profit declined 69% to NT\$6,816 million in the third quarter from NT\$22,345 million a year ago. The decrease versus the year-ago quarter is mainly due to the combined impact of several factors: reduced shipment volumes, lower average capacity utilization (41% in 3Q01 versus 107% in 3Q00), offset in part by a higher ASP. As a percentage of total sales, TSMC's gross margin declined to 25% in 3Q01 from 47% in 3Q00. Excluding the impact of affiliates on the Company's gross margin, however, the gross margin for TSMC's own production declined to 27% in 3Q01 from 53% in 3Q00.

Operating Expenses:

Operating expenses in 3Q01 increased 31% to NT\$4,874 million compared with NT\$3,730 million in 3Q00, principally due to higher R&D expenditures for advanced technology and start-up expenses associated with Fab 12. R&D expenditure in 3Q01 increased by NT\$1.2 billion due to research efforts in 300mm, 0.15um, 0.13um, 0.10um and copper low-k process technology. As a percentage of total sales, operating expenses rose to 18% in 3Q01 from 8% in 3Q00.

³ From 1Q01, sales breakdown is based on revenue. It is meaningless to compare that with historical sales breakdowns in application and technology. For consistency, historical numbers may be revised to reflect current definitions. As a result, classifications may differ from those released earlier.

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Net Non-Operating Income/Expenses:

Net non-operating items resulted in a loss of NT\$216 million in 3Q01 compared with earnings of NT\$328 million in 3Q00. The decrease versus the year-ago period mainly reflects a reduction in receipts of insurance claim proceeds, increased foreign exchange loss, lower interest income, and a loss on sale of stock investments.

Investment Income/Loss:

Investment losses of NT\$1,926 million in 3Q01 compared with investment income of NT\$572 million in the year-ago period. The variance between the two reporting periods is primarily due to losses from WaferTech (NT\$1,527 million in 3Q01 versus a gain of NT\$252 million in 3Q00) and Vanguard (NT\$677 million in 3Q01 versus a gain of NT\$379 million in 3Q00).

Net Income:

Net income decreased 94% to NT\$1,237 million in the latest quarter from NT\$20,058 million in the year-ago period. Diluted earnings per share declined to NT\$0.06 in 3Q01 from NT\$1.23 in 3Q00. Diluted earnings per ADR declined to US\$0.008 from US\$0.20 per ADR.

3Q01 Results: Sequential Comparison Highlights

- Net sales increased 2%.
- Wafer shipments remained flat.
- Operating income increased 583%.
- Net income increased 296%.
- Diluted earnings per common share (EPS) of NT\$0.06 compared with diluted EPS of NT\$0.01 in 2Q01, or US\$0.008 per ADR versus US\$0.002 per ADR.

Net Sales:

Net sales in 3Q01 totaled NT\$26,940 million (including NT\$2,345 million contributed from affiliates), up 2% from NT\$26,298 million (including NT\$1,828 million contributed from affiliates) in 2Q01, primarily reflecting a higher average selling price in NT dollars. Including contributions from affiliates, unit sales of 8-inch equivalent wafers totaled 448K units in 3Q01, essentially unchanged from 450K units in 2Q01.

Table 2 summarizes TSMC's 3Q01 and 2Q01 sales by application, technology, customer type and geography.

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Table 2: Sales Breakdown Based on Revenue (Including Affiliates)³

Segment:	3Q01	2Q01	Segment:	3Q01	2Q01
Application ³	(Revenue)	(Revenue)	Customer Type	(Revenue)	(Revenue)
Computer	49%	41%	Fabless	67%	63%
Communication	16%	24%	IDM	32%	37%
Consumer	25%	17%	System	1%	0%
Industrial / Others	4%	6%			
Memory	6%	12%			
Technology ³	(Revenue)	(Revenue)	Geography	(Revenue)	(Revenue)
X ≤ 0.15 μ	15%	4%	North America	69%	63%
0.15 μ < X ≤ 0.18 μ	24%	22%	Asia Pacific	16%	18%
0.18 μ < X ≤ 0.25 μ	31%	39%	Europe	3%	7%
0.25 μ < X ≤ 0.35 μ	16%	20%	Japan	12%	12%
X ≥ 0.50 μ	14%	15%			

Gross Profit:

Gross profit increased 36% to NT\$6,816 million in 3Q01 from NT\$4,999 million in 2Q01, mainly due to more favorable product mix, less DRAM sales (Licensed DRAM shipment was 1% of total wafer shipped in 3Q01, down from 8% in 2Q01), and the higher average selling price in NT dollars, offset in part by lower capacity utilization (41% versus 44% in the previous quarter). As a percentage of revenue, gross margin increased to 25% in 3Q01 from 19% in 2Q01. Excluding the impact of affiliates, TSMC's gross margin was 27% in 3Q01 versus 20% in 2Q01.

Operating Expenses:

Operating expenses rose 3% to NT\$4,874 million in 3Q01 from NT\$4,714 million in 2Q01 due to start-up expenses associated with Fab 12 and increased R&D expenditures for advanced technology. Start-up expenses associated with Fab 12 increased by NT\$298 million. R&D expenditure in 3Q01 increased by NT\$219 million due to research efforts in 300mm, 0.13um, 0.10um and copper low-k process technology. As a percentage of total sales, operating expenses of 18% in 3Q01 were unchanged from 18% in 2Q01.

Net Non-Operating Income/Expenses:

Net non-operating items resulted in a loss of NT\$216 million in 3Q01 compared with a gain of NT\$80 million in 2Q01. The decrease versus the prior period mainly reflects lower interest income, increased foreign exchange loss, and a loss on sale of stock investments offset in part by increased receipts of insurance claim proceeds.

Investment Income/Losses:

Investment losses of NT\$1,926 million in 3Q01 compare with investment losses of NT\$1,233 million in 2Q01. The variance between the two reporting periods is primarily due to increased losses in Vanguard (a loss of NT\$677 million in 3Q01 versus a loss of NT\$450 million in 2Q01) and WaferTech (a loss of NT\$1,527 million in 3Q01 versus a loss of NT\$1,051 million in 2Q01).

Net Income:

Net income increased 296% to NT\$1,237 million in 3Q01 from NT\$312 million in 2Q01.

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Diluted earnings per common share increased to NT\$0.06 from NT\$0.01 in the previous quarter. Diluted earnings per ADR, meanwhile, increased to US\$0.008 from US\$0.002

Liquidity and Capital Resources:

During 3Q01, TSMC generated NT\$14.3 billion in cash from operating activities. Depreciation and amortization amounted to NT\$12.3 billion. Cash used in investing activities totaled NT\$22.3 billion for 3Q01, mainly for advanced technology. As of September 30, 2001, TSMC had NT\$30.7 billion of cash and equivalents on hand, a decrease of NT\$7.9 billion during the quarter. TSMC's debt-to-assets ratio was 18% at September 30, 2001, versus 20% on June 30, 2001.

Operations Highlights by TSMC:

Major announcements during 3Q01 and following included:

- TSMC Fab 12 Announces Delivery of 0.13-Micron Devices on 300mm Wafers with Production-Worthy Yields (10/22)
- TSMC to Set Up Liaison Office in Shanghai, China (10/05)
- TSMC and Compaq Japan Initiate the B2B service "TSMC-Direct" in Japan (8/21)
- TSMC Hosts International SEMATECH's Industry Executive Forum in Taiwan (8/09)
- TSMC Appoints Dr. F.C. Tseng Deputy Chief Executive Officer; Dr. Rick Tsai Named President & Chief Operating Officer (08/07)
- Payment Day of Stock Dividend for NYSE-Listed ADSs (July 27) and Common Shares (July 23) (07/19)
- TSMC Doubles CyberShuttles for 2001; Second-Half Launches Available (07/10)
- TSMC Appoints Dr. Kenneth Kin as Senior Vice President of Worldwide Marketing and Sales (07/02)

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

Capital Commitment and Capacity

Highlights

- 2001 CAPEX: US\$2.2 billion.
- 2001 Capacity: 4.379 million 8-inch equivalent wafers.

Capital Commitment and Capacity in 2001:

TSMC 2001 capital expenditures remain unchanged at US\$2.2 billion. More than 50% of this year's capital commitment will be for 12-inch wafer fabs, which will contribute towards capacity in 2002 and beyond.

Total installed capacity managed by TSMC is expected to reach approximately 4.379 million 8-inch equivalent wafers in 2001.

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Details regarding TSMC's capacity plan for 2001 are summarized in Table 3.

Table 3: 2001 Capacity Managed by TSMC

Unit in K Fab (wafer size)	2001 Estimate	
	Annual	(Monthly ⁴)
Fab 1 (6")	236	(20)
Fab 2 (6")	939	(78)
Fab 3 (8")	548	(45)
Fab 4 (8")	440	(35)
Fab 5 (8")	468	(39)
Fab 6 (8")	455	(40)
Fab 7 (8")	537	(45)
Fab 8 (8")	620	(53)
Fab12 (12")	3	(2)
WaferTech (8")	328	(27)
VIS (8")	272	(23)
SSMC (8")	40	(5)
Total Capacity (8" Equiv.)⁵	4,379	372
<i>Annual Growth Rate</i>	28%	5%

Guidance and Outlook

- We reiterate our view that business bottomed out in 2Q01. We have seen recovery in 3Q01, and we expect the recovery momentum to continue into 4Q01.
- Despite continuing weakness in economic and industry conditions, TSMC has outperformed many companies in the semiconductor industry during 3Q01 and expects to outperform in 4Q01 as well.
- We expect that our business in computer and communication applications will stage a stronger recovery than that in consumer applications in 4Q01. As yet, there is no sign that the memory and industrial applications are about to rebound.
- Based upon the current business outlook, guidance for 4Q01 is as follows:
 - We believe that the improvement in TSMC revenues and profitability will continue into 4Q01.
 - We expect our 4Q01 revenues to grow by more than 15%.
 - During 4Q01, both operating and net income are likely to be more than double that of 3Q01.
 - We expect our utilization rate in 4Q01 to be higher than that of 3Q01 by a few percentage points. This is driven primarily by strong demands in our advance process technologies. We expect to see the demand for 0.18/0.15um to exceed 80% of the customer qualified capacity in 4Q01.
- We are closely reviewing our 2002 capital expenditure details. At present, we expect capital expenditures next year would be significantly lower than in 2001.

⁴ Planned monthly capacity as of December 2001.

⁵ 6"-wafer is converted into 8"-equivalent wafer by dividing by 1.78; 12"-wafer by multiplying by 2.25.

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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; TSMC's ability to respond to rapid technological changes in the semiconductor industry; TSMC's ability to manage expansion of its capacity, including the integration of Worldwide Semiconductor and TSMC-Acer into TSMC; 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 on June 21, 2001, and in such other documents as the Company may file with, or submit to, the SEC from time to time.

Conference Call Information

- TSMC's quarterly review conference call will be held at 8 A.M. Eastern Time (8 P.M. Taiwan Time) on Friday, October 26, 2001.
- Investors may access the call by dialing 334-323-9852 (Security Code: TSMC).
- Investors using this number will be placed in a "listen only" mode throughout the call.
- To view summary slides relating to management's quarterly review presentation, please visit the following URL:
http://www.tsmc.com.tw/investor/pdf/conference_3q01.pdf

Company Description:

TSMC 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 operates two six-inch wafer fabs and six eight-inch wafer fabs. The Company also has substantial capacity commitments at two joint-venture fabs (Vanguard and SSMC) and WaferTech. In 2000, TSMC produced the foundry industry's first 300mm customer wafers and began constructing two dedicated 300mm fabs. 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>.

Corporate Headquarters:

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