



FOR IMMEDIATE RELEASE

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**Taiwan Semiconductor Manufacturing Company, Ltd. Announces
Fourth-Quarter and Full-Year Unconsolidated Results for the Period Ended
December 31, 2001**

Hsin-Chu, Taiwan, R. O. C., January 25, 2002 – Taiwan Semiconductor Manufacturing Company, Ltd. (TAIEX: 2330, NYSE: TSM) (“TSMC” or “the Company”), the world’s largest dedicated semiconductor foundry company, today announced its unconsolidated results of operations for the fourth quarter and the year ended December 31, 2001. All figures were prepared in accordance with generally accepted accounting principles in Taiwan, which differ in some material respects from generally accepted accounting principles in the United States.

Main Topics Discussed in This Release

- 4Q01 Results: Year-Ago Comparison
- 4Q01 Results: Sequential Comparison
- Planned Capital Expenditure and Capacity
- Guidance and Outlook
- Conference Call Information

4Q01 Results: Year-Ago Comparison Highlights

- Net sales¹ declined 38% to NT\$33,130 million.
- Quarterly sales¹ of 8-inch equivalent wafers decreased 44% to 558K units.
- Capacity utilization decreased to 50% from 105% due to softer business conditions.
- Operating income declined 72% to NT\$5,859 million.
- Net income declined 79% to NT\$4,514 million.
- Diluted earnings per common share (EPS) decreased to NT\$0.26 from NT\$1.31, or US\$0.037 per ADR versus US\$0.202 per ADR.²

¹ Including wafers manufactured by affiliates: WaferTech, Vanguard and SSMC.

² Earnings per share for 4Q00 have been restated to reflect a 40% stock dividend and employee profit sharing of 5,143,189K shares in July 2001. Total weighted average outstanding shares were 16,832,553K in 4Q01 and 16,417,270K in 4Q00.

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Net Sales:

Net sales in the fourth quarter of 2001 totaled NT\$33,130 million (including NT\$2,567 million contributed from affiliates), down 38% from NT\$53,822 million (including NT\$6,983 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 44% to 558K units in 4Q01 compared with 1,001K in 4Q00. ASP in New Taiwan dollars rose 11% in 4Q01 versus the same period last year, due partly to the U.S. dollar's appreciation against the NT dollar (up 7% to NT\$34.56/\$ from NT\$32.24/\$) and partly to a more favorable product mix.

Table 1 summarizes TSMC's 4Q01 and 4Q00 sales by application, technology, customer type and geography.

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

Segment:	4Q01	4Q00	Segment:	4Q01	4Q00
Application ³	(Revenue)	(Unit)	Customer Type	(Revenue)	(Revenue)
Computer	57%	29%	Fabless	71%	60%
Communication	20%	33%	IDM	28%	40%
Consumer	19%	20%	System	1%	- %
Industrial / Others	2%	4%			
Memory	3%	14%			
Technology ³	(Revenue)	(Unit)	Geography	(Revenue)	(Revenue)
$X \leq 0.15 \mu$	21%	-%	North America	80%	67%
$0.15 \mu < X \leq 0.18 \mu$	24%	7%	Asia Pacific	13%	12%
$0.18 \mu < X \leq 0.25 \mu$	29%	32%	Europe	3%	8%
$0.25 \mu < X \leq 0.35 \mu$	15%	35%	Japan	5%	13%
$X \geq 0.50 \mu$	11%	26%			

Gross Profit:

Gross profit declined 57% to NT\$11,089 million in the fourth quarter from NT\$25,574 million a year ago. The decrease versus the year-ago quarter is mainly due to the combined impact of reduced shipment volumes and lower average capacity utilization (50% in 4Q01 versus 105% in 4Q00), offset in part by a higher ASP. As a percentage of total sales, TSMC's gross margin declined to 33% in 4Q01 from 48% in 4Q00. Excluding those wafers that were manufactured by affiliates, the gross margin derived from the Company's own manufacturing activities would have been 36%, down from 54% in 4Q00.

Operating Expenses:

Operating expenses in 4Q01 increased 18% to NT\$5,230 million compared with NT\$4,414 million in 4Q00, principally due to higher R&D expenditures for advanced technology and start-up expenses associated with Fab 12. R&D expenditure in 4Q01 increased by NT\$736 million due to research efforts in 300mm, 0.15um, 0.13um, 0.10um, copper and low-k process technology. As a percentage of total sales, operating expenses rose to 16% in 4Q01 from 8% in 4Q00.

³ Sales breakdown by applications/technologies is based on revenue terms in 4Q01 and on unit terms in 4Q00. It is not meaningful to compare one with the other. The Company may revise its definitions/methodologies from time to time to present management information more effectively. Historical numbers may be restated to conform to these changes. The restatements, when being made, may not be accompanied by relevant details.

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Net Non-Operating Income/Expenses:

Net non-operating items resulted in a gain of NT\$187 million in 4Q01 compared with a loss of NT\$104 million in 4Q00. The variance versus the year-ago period is due to an increase in insurance claim accruals that was largely offset by an increase in net interest expense (reflecting lower interest income on declining interest rates).

Investment Income/Loss:

Investment losses of NT\$1,748 million in 4Q01 compared with an investment loss of NT\$135 million in the year-ago period. The variance between the two reporting periods primarily reflects increased losses by WaferTech (NT\$1,152 million in 4Q01 versus NT\$547 million in 4Q00) and Vanguard (NT\$958 million in 4Q01 versus a gain of NT\$121 million in 4Q00) due to unfavorable business conditions.

Net Income:

Net income decreased 79% to NT\$4,514 million in the latest quarter from NT\$21,473 million in the year-ago period. Diluted earnings per share declined to NT\$0.26 in 4Q01 from NT\$1.31 in 4Q00. Diluted earnings per ADR declined to US\$0.037 from US\$0.202 per ADR.

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4Q01 Results: Sequential Comparison Highlights

- Net sales increased 23%.
- Wafer shipments increased 25%.
- Operating income rose 202%.
- Net income rose 265%.
- Diluted earnings per common share (EPS) of NT\$0.26 compared with diluted EPS of NT\$0.06 in 3Q01, or US\$0.037 per ADR versus US\$0.008 per ADR.

Net Sales:

Net sales in 4Q01 totaled NT\$33,130 million (including NT\$2,567 million contributed from affiliates), up 23% from NT\$26,940 million (including NT\$2,345 million contributed from affiliates) in 3Q01, primarily reflecting increased unit sales. Including contributions from affiliates, unit sales of 8-inch equivalent wafers totaled 558K units in 4Q01 compared with 448K units in 3Q01. ASP in New Taiwan dollars, meanwhile, improved marginally versus the previous quarter.

Table 2 summarizes TSMC's 4Q01 and 3Q01 sales by application, technology, customer type and geography.

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

Segment:	4Q01	3Q01	Segment:	4Q01	3Q01
Application	(Revenue)	(Revenue)	Customer Type	(Revenue)	(Revenue)
Computer	57%	49%	Fabless	71%	67%
Communication	20%	16%	IDM	28%	32%
Consumer	19%	25%	System	1%	1%
Industrial / Others	2%	4%			
Memory	3%	6%			
Technology	(Revenue)	(Revenue)	Geography	(Revenue)	(Revenue)
X ≤ 0.15 μ	21%	15%	North America	80%	69%
0.15 μ < X ≤ 0.18 μ	24%	24%	Asia Pacific	13%	16%
0.18 μ < X ≤ 0.25 μ	29%	31%	Europe	3%	3%
0.25 μ < X ≤ 0.35 μ	15%	16%	Japan	5%	12%
X ≥ 0.50 μ	11%	14%			

Gross Profit:

Gross profit increased 63% to NT\$11,089 million in 4Q01 from NT\$6,816 million in 3Q01, mainly due to stronger shipment volumes and to an increased average capacity utilization (50% versus 41% in the previous quarter). Gross margin increased to 33% in 4Q01 from 25% in 3Q01. Excluding those wafers that were manufactured by affiliates, the gross margin derived from the Company's own manufacturing activities would have been 36%, up from 27% in 3Q01.

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Operating Expenses:

Operating expenses rose 7% to NT\$5,230 million in 4Q01 from NT\$4,874 million in 3Q01 due to higher marketing and administrative expenses attributable to business volume growth and to higher R&D expenses associated with advanced-process technology development. As a percentage of total sales, however, operating expenses declined to 16% in 4Q01 from 18% in 3Q01.

Net Non-Operating Income/Expenses:

Net non-operating items resulted in a gain of NT\$187 million in 4Q01 compared with a loss of NT\$216 million in 3Q01. The improvement versus the prior period is mainly attributable to an increase in insurance claim accruals that was partially offset by an adverse change in net interest expense (owing to reduced interest income in a low interest rate environment).

Investment Income/Losses:

Investment losses of NT\$1,748 million in 4Q01 improved slightly over investment losses of NT\$1,926 million in 3Q01. The improvement this quarter was due to better results from WaferTech (a loss of NT\$1,152 million versus a loss of NT\$1,527 million in the previous quarter) and an increase of NT\$231 million in capital gains on investments reported by Investar. This was partly offset by increased losses in Vanguard (a loss of NT\$958 million in 4Q01 versus a loss of NT\$677 million in 3Q01).

Net Income:

Net income increased 265% to NT\$4,514 million in 4Q01 from NT\$1,237 million in 3Q01. Diluted earnings per common share increased to NT\$0.26 from NT\$0.06 in the previous quarter. Diluted earnings per ADR, meanwhile, increased to US\$0.037 from US\$0.008.

4Q01 Liquidity and Capital Resources:

During 4Q01, TSMC generated NT\$13.3 billion in cash from operating activities. Depreciation and amortization amounted to NT\$13.0 billion. Cash used in investing activities totaled NT\$10.6 billion for 4Q01, mainly for advanced-technology capacity and its process developments. As of December 31, 2001, TSMC had NT\$33.4 billion of cash and equivalents on hand, an increase of NT\$2.7 billion during the quarter. TSMC's liabilities-to-assets ratio was 17.4% at December 31, 2001, little changed versus 18.4% as of September 30, 2001.

Full-Year 2001 Results: Year-over-Year Comparison

- Net sales declined 24% to NT\$125.9 billion.
- Annual sales of 8-inch equivalent wafers decreased 37% to 2,159K units.
- Capacity utilization decreased to 51% from 106%.
- Operating income declined 71% to NT\$17.3 billion.
- Net income declined 78% to NT\$14.5 billion.
- Diluted earnings per share decreased to NT\$0.83 from NT\$3.96, or US\$0.12 per ADR versus US\$0.64 per ADR.

Net Sales:

Net sales in 2001 declined 24% to NT\$125.9 billion from NT\$166.2 billion in 2000, primarily reflecting lower unit sales offset in part by a higher average selling price. Unit shipments of 8-inch equivalent wafers decreased 37% to 2,159K units from 3,408K units in 2000.

Gross Profit:

Gross profit decreased 52% to NT\$36.4 billion from NT\$76.0 billion a year ago. As a percentage of total sales, TSMC's gross margin fell to 29% versus 46% a year ago. In addition, the Company's operating margin declined to 14% from 36%, while its operating income decreased 71% to NT\$17.3 billion from NT\$60.5 billion.

Net Income:

Net income declined 78% to NT\$14.5 billion in 2001 from NT\$65.1 billion in 2000. Diluted earnings per common share totaled NT\$0.83 versus NT\$3.96 a year ago, or US\$0.12 per ADR versus US\$0.64 per ADR.

2001 Liquidity and Capital Resources:

During 2001, TSMC generated NT\$72.0 billion in cash from operating activities. Depreciation and amortization amounted to NT\$48.9 billion. Cash used in investing activities totaled NT\$73.4 billion, mainly for advanced-process technology and 12-inch wafer fabs. As of December 31, 2001, TSMC had NT\$33.4 billion of cash and equivalents on hand, a decrease of NT\$2.3 billion during the year. TSMC's liabilities-to-assets ratio improved to 17.4% at December 31, 2001 versus 23.2% at December 31, 2000.

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Recent Operations Highlights by TSMC:

Major announcements during 4Q01 and following included:

- Altera and TSMC Deliver Industry's First 0.13-Micron All-Copper Interconnect PLD (01/07)
- TSMC Named Taiwan's Best Managed Company between 1991 and 2001 by AsiaMoney Magazine (01/03)
- TSMC Appoints Mr. Harvey Chang as Spokesperson (12/27)
- PMC-Sierra and TSMC Collaborate to Develop System-on-Chip Products with Higher Levels of Integration (12/20)
- TSMC Appoints Dr. Dick Thurston as Vice President and General Counsel (12/19)
- TSMC Announces Its Updated 2001 Financial Forecast (12/03)
- TSMC Board of Directors Approves Issuance of Corporate Bond (11/06)
- TSMC Completed "The Analysis of the Effect of High Speed Rail Vibration on IC Fabrication" (10/25)
- TSMC Fab 12 Sets World Record for Delivery of 0.13-Micron Devices on 300mm Wafers with Production-Worthy Yields (10/22)
- TSMC Announces to Set Up Liaison Office in Shanghai, China (10/05)

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: Monthly - 381K 8-inch equivalent wafers - as of December 2001
(Annually - 4.379 million 8-inch equivalent wafers)
- Estimated 2002 Capacity:
Monthly - 332K 8-inch equivalent wafers - as of March 2002
Monthly - 358K 8-inch equivalent wafers - as of December 2002

Capital Commitment and Capacity in 2001 and 2002:

TSMC's 2001 unconsolidated capital expenditures totaled US\$2.2 billion, in line with a forecast total of US\$2.2 billion. About 50% of TSMC's 2001 capital commitment was directed to 12-inch wafer fabs, which will contribute towards capacity in 2002 and beyond. Total installed capacity managed by TSMC was approximately 4.4 million 8-inch equivalent wafers in 2001.

Capital expenditures in 2002 will continue to focus on the ramp up of 12-inch-wafer-fab capacity and on the development of advanced-process technologies.

In addition, TSMC will continue its efforts to convert and/or reconfigure its trailing-edge tooling and equipment mix in order to, at minimal cost, increase the amount of capacity dedicated to leading-edge technology processes. These efforts reflect a shift in TSMC's capacity plan from quantity-driven to quality-driven. The conversion and/or reconfiguration

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will be carried out in a manner as called for by business and customer demand. The additional capacity in advanced-technology processes will become available at the expense of existing trailing-edge technology capacity.

The dynamic adjustment to TSMC's production capacity in 2002 is illustrated in Table 3, which highlights the Company's estimated fab capacity at the end of 1Q02 and 4Q02.

Table 3: 2001 / 2002 Capacity Managed by TSMC

Fab Unit in K (wafer size)	Dec. 31, 2001 Monthly	2002 Estimated Normalized Installed Capacity	
		March 31 ⁴	December 31 ⁴
Fab 1 (6") ⁵	20	-	-
Fab 2 (6")	80	80	80
Fab 3 (8") ⁶	47	78	74
Fab 4 (8") ⁶	36		
Fab 5 (8")	40	36	35
Fab 6 (8")	41	37	50
Fab 7 (8")	47	28	23
Fab 8 (8")	55	46	52
Fab12 (12")	2	4	10
WaferTech (8")	28	28	28
VIS (8")	23	23	23
SSMC (8")	5	3	6
Total Capacity (8" Equiv.)⁷	381	332⁴	358⁴

Guidance and Outlook

- Our business has been in a steady recovery since 3Q01. We expect the recovery momentum to continue throughout 2002.
- Based upon the current business outlook, guidance for 1Q02 is as follows:
 - We expect our 1Q02 revenues to grow by a single-digit (in the mid-to-high range) percentage rate versus our 4Q01 sales revenues.
 - We expect our gross margin rate to remain at the same level sequentially as Fab 12 commences commercial operation. However, both our operating and net margins are expected to continue to improve over those of the previous quarter.
 - We expect the utilization rate for our leading-edge process technologies (0.18um or more advanced) to reach 90% at TSMC fabs (not including affiliates). The utilization rate for our 0.25/0.22 node technologies is also expected to exceed 60%. As a result, the overall utilization rate in 1Q02 is expected to improve to around 60%.
- Capital expenditure in 2002 is expected to be approximately 25% less than that in 2001.

⁴ Estimated monthly capacity as of the indicated date. Actual monthly capacity may be less due to public holidays, annual maintenance, and repairs.

⁵ Fab 1 is to be decommissioned on March 31, 2002 due to the expiration of its land lease agreement.

⁶ Fabs 3 and 4 are to be consolidated into a single fab during 1Q02.

⁷ 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; 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 expansion of 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 Registration Statement on Form F-3 (Registration No. 333-14218), initially filed with the United States Securities and Exchange Commission on December 21, 2001, its amendments, and 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 (9 P.M. Taiwan Time) on Friday, January 25, 2002. The conference call will also be Webcast live on the Internet.
- Investors wishing to listen to the live Webcast and to view summary slides relating to management's quarterly review presentation 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 ensure that necessary audio applications are downloaded and installed.
An archived version of the Webcast will be available on the TSMC Web site until the Company's next quarterly review conference call and Webcast.
- Investors without Internet access may listen to the conference call by dialing 1-713-481-1320 (Security Code: TSMC).
Investors using this number will be placed in a "listen only" mode throughout the call.

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 currently operates one twelve-inch wafer fab, six eight-inch wafer fabs and two six-inch fabs. The Company also has substantial capacity commitments at a wholly owned U.S. subsidiary (WaferTech) and two joint-venture fabs (Vanguard and 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>.

Corporate Headquarters:

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