

**Taiwan Semiconductor Manufacturing
Company Ltd. and Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2004 and 2003 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		LIABILITIES AND SHAREHOLDERS' EQUITY	2004		2003	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2, 3 and 4)	\$ 74,302,351	15	\$ 102,988,896	26	Short-term bank loans (Note 9)	\$ 383,004	-	\$ 407,736	-
Short-term investments, net (Notes 2 and 4)	54,107,951	11	13,611,536	3	Payables to related parties (Note 20)	2,217,815	1	3,248,289	1
Receivables from related parties (Note 20)	654,377	-	920,444	-	Accounts payable	7,264,419	2	6,438,604	2
Notes receivable	2,942	-	9,893	-	Payable to contractors and equipment suppliers	33,427,702	6	7,232,103	2
Accounts receivable	31,211,481	7	28,495,269	7	Accrued expenses and other current liabilities (Notes 2, 12 and 22)	10,126,368	2	8,094,191	2
Allowance for doubtful receivables (Note 2)	(982,843)	-	(1,020,398)	-	Current portion of bonds payable (Note 11)	10,500,000	2	5,000,000	1
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	-	Total current liabilities	<u>63,919,308</u>	<u>13</u>	<u>30,420,923</u>	<u>8</u>
Other financial assets (Notes 2 and 23)	2,212,371	-	1,373,705	-	LONG-TERM LIABILITIES				
Inventories, net (Notes 2 and 5)	15,555,937	3	12,135,324	3	Long-term bank loans (Note 10)	1,915,020	-	8,800,302	2
Deferred income tax assets, net (Notes 2 and 14)	8,917,986	2	8,398,205	2	Bonds payables (Note 11)	19,500,000	4	30,000,000	7
Prepaid expenses and other current assets	1,667,401	-	1,632,908	-	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	-	-	-
Total current assets	<u>184,449,082</u>	<u>37</u>	<u>166,541,670</u>	<u>41</u>	Liability under capital lease (Notes 2 and 7)	566,243	-	726,585	-
LONG-TERM INVESTMENTS (Notes 2, 6, 18 and 23)					Total long-term liabilities	<u>32,264,210</u>	<u>6</u>	<u>42,827,716</u>	<u>10</u>
Equity method	9,143,612	2	7,255,239	2	OTHER LIABILITIES				
Cost method	3,266,330	1	3,492,775	1	Accrued pension cost (Notes 2 and 13)	3,101,707	1	2,601,450	1
Long-term bonds	15,170,167	3	-	-	Guarantee deposits (Note 22)	412,881	-	763,889	-
Other investments	10,521,740	2	-	-	Others	714,949	-	1,483,245	-
					Total other liabilities	<u>4,229,537</u>	<u>1</u>	<u>4,848,584</u>	<u>1</u>
Total long-term investments	<u>38,101,849</u>	<u>8</u>	<u>10,748,014</u>	<u>3</u>	MINORITY INTEREST IN SUBSIDIARIES (Note 2)				
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 7, 10 and 20)					Total liabilities	<u>100,488,792</u>	<u>20</u>	<u>78,186,222</u>	<u>19</u>
Cost					SHAREHOLDERS' EQUITY (Notes 2 and 16)				
Land and land improvements	803,508	-	855,394	-	Capital stock - \$10 par value				
Buildings	97,882,699	19	79,778,533	20	Authorized: 24,600,000 thousand shares				
Machinery and equipment	433,130,364	87	371,315,729	91	Issued: 23,251,964 thousand shares in 2004 and 20,266,619 thousands shares in 2003	232,519,637	47	202,666,189	50
Office equipment	8,538,225	2	7,457,538	2	Capital surplus	56,537,259	11	56,855,885	14
Leased assets	566,243	-	726,585	-	Retained earnings:				
Total cost	540,921,039	108	460,133,779	113	Appropriated as legal reserve	25,528,007	5	20,802,137	5
Accumulated depreciation	(331,253,866)	(66)	(275,013,069)	(68)	Appropriated as special reserve	-	-	68,945	-
Advance payments and construction in progress	49,244,153	10	26,733,553	7	Unappropriated earnings	88,202,009	18	50,229,008	12
					Others:				
Net property, plant and equipment	<u>258,911,326</u>	<u>52</u>	<u>211,854,263</u>	<u>52</u>	Unrealized loss on long-term investments (Note 2)	-	-	(35)	-
GOODWILL (Note 2)					Cumulative translation adjustments (Note 2)	(2,226,427)	(1)	225,408	-
	7,115,510	1	8,720,917	2	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)	-
OTHER ASSETS					Total shareholders' equity	<u>398,965,299</u>	<u>80</u>	<u>329,214,309</u>	<u>81</u>
Deferred charges, net (Notes 2, 8 and 22)	8,992,452	2	7,992,016	2	TOTAL				
Deferred income tax assets, net (Notes 2 and 14)	1,649,979	-	1,111,367	-	\$ 499,454,091	100	\$ 407,400,531	100	
Refundable deposits (Note 20)	106,448	-	199,522	-					
Others	127,445	-	232,762	-					
Total other assets	<u>10,876,324</u>	<u>2</u>	<u>9,535,667</u>	<u>2</u>					
TOTAL	<u>\$ 499,454,091</u>	<u>100</u>	<u>\$ 407,400,531</u>	<u>100</u>					

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

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

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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)

	<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
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>
	<u>2004</u>		<u>2003</u>	
	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	<u>\$ 3.96</u>	<u>\$ 3.97</u>	<u>\$ 2.19</u>	<u>\$ 2.02</u>
Diluted earnings per share	<u>\$ 3.95</u>	<u>\$ 3.97</u>	<u>\$ 2.19</u>	<u>\$ 2.02</u>

(Concluded)

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

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				Capital Surplus	Retained Earnings				Unrealized Loss on Long-term Investments	Cumulative Translation Adjustments	Treasury Stock (Note 18)	Total Shareholders' Equity
	Preferred Stock		Common Stock			Legal Reserve	Special Reserve	Unappropriated Earnings	Total				
	Shares (Thousand)	Amount	Shares (Thousand)	Amount									
BALANCE, JANUARY 1, 2003	1,300,000	\$ 13,000,000	18,622,887	\$ 186,228,867	\$ 57,004,789	\$ 18,641,108	\$ -	\$ 22,151,089	\$ 40,792,197	\$ (194,283)	\$ 945,129	\$ (1,923,492)	\$ 295,853,207
Redemption and retirement of preferred stock	(1,300,000)	(13,000,000)	-	-	-	-	-	-	-	-	-	-	(13,000,000)
Appropriations of prior year's earnings	-	-	-	-	-	2,161,029	-	(2,161,029)	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	(68,945)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	68,945	(68,945)	-	-	-	-	-
Bonus to employees - stock	-	-	153,901	1,539,013	-	-	-	(1,539,013)	(1,539,013)	-	-	-	-
Cash dividends paid for preferred stock	-	-	-	-	-	-	-	(455,000)	(455,000)	-	-	-	(455,000)
Stock dividends - 8%	-	-	1,489,831	14,898,309	-	-	-	(14,898,309)	(14,898,309)	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	-	(58,485)	(58,485)	-	-	-	(58,485)
Net income in 2003	-	-	-	-	-	-	-	47,258,700	47,258,700	-	-	-	47,258,700
Adjustment arising from changes in ownership percentage in investees	-	-	-	-	(158,924)	-	-	-	-	-	-	-	(158,924)
Reversal of unrealized loss on long-term investment of investees	-	-	-	-	-	-	-	-	-	194,248	-	-	194,248
Translation adjustments	-	-	-	-	-	-	-	-	-	-	(719,721)	-	(719,721)
Treasury stock - sales of parent company stock held by subsidiaries	-	-	-	-	10,020	-	-	-	-	-	-	290,264	300,284
BALANCE, DECEMBER 31, 2003	-	-	20,266,619	202,666,189	56,855,885	20,802,137	68,945	50,229,008	71,100,090	(35)	225,408	(1,633,228)	329,214,309
Appropriations of prior year's earnings	-	-	-	-	-	4,725,870	-	(4,725,870)	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	68,945	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	-	(68,945)	68,945	-	-	-	-	-
Bonus to employees - cash	-	-	-	-	-	-	-	(681,628)	(681,628)	-	-	-	(681,628)
Bonus to employees - stock	-	-	272,651	2,726,514	-	-	-	(2,726,514)	(2,726,514)	-	-	-	-
Cash dividends paid for preferred stock	-	-	-	-	-	-	-	(184,493)	(184,493)	-	-	-	(184,493)
Cash dividends - 6%	-	-	-	-	-	-	-	(12,159,971)	(12,159,971)	-	-	-	(12,159,971)
Stock dividends - 14%	-	-	2,837,327	28,373,267	-	-	-	(28,373,267)	(28,373,267)	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	-	(127,805)	(127,805)	-	-	-	(127,805)
Net income in 2004	-	-	-	-	-	-	-	92,316,115	92,316,115	-	-	-	92,316,115
Adjustment arising from changes in ownership percentage in investees	-	-	-	-	34,059	-	-	-	-	-	-	-	34,059
Reversal of unrealized loss on long-term investment of investees	-	-	-	-	-	-	-	-	-	35	-	-	35
Translation adjustments	-	-	-	-	-	-	-	-	-	-	(2,451,835)	-	(2,451,835)
Issuance of stock arising from exercising stock options	-	-	87	867	2,757	-	-	-	-	-	-	-	3,624
Cash dividends received by subsidiaries from parent company	-	-	-	-	22,781	-	-	-	-	-	-	-	22,781
Treasury stock - sales of the parent company stock held by subsidiaries	-	-	-	-	1,864	-	-	-	-	-	-	38,042	39,906
Treasury stock - repurchased by the Company	-	-	-	-	-	-	-	-	-	-	-	(7,059,798)	(7,059,798)
Retirement of treasury stock	-	-	(124,720)	(1,247,200)	(380,087)	-	-	(5,432,511)	(5,432,511)	-	-	7,059,798	-
BALANCE, DECEMBER 31, 2004	-	\$ -	23,251,964	\$ 232,519,637	\$ 56,537,259	\$ 25,528,007	\$ -	\$ 88,202,009	\$ 113,730,016	\$ -	\$ (2,226,427)	\$ (1,595,186)	\$ 398,965,299

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

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

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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
Decrease in other assets	\$ 51,604	\$ 4,610
Decrease in minority interest in subsidiaries	<u>(26,160)</u>	<u>(3,487)</u>
Net cash used in investing activities	<u>(148,013,093)</u>	<u>(53,705,787)</u>
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	<u>-</u>	<u>(13,000,000)</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>

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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
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>

(Concluded)

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

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

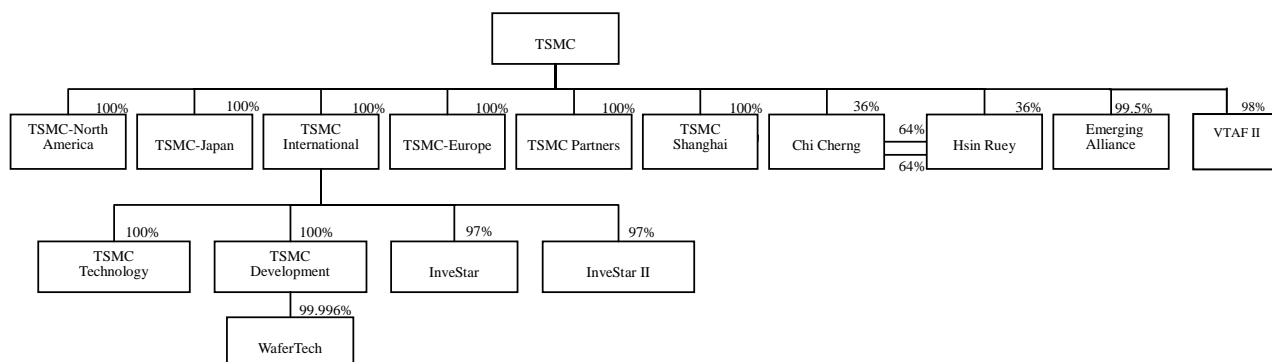
1. GENERAL

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

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.

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 Ownership	Carrying Amount	% of Ownership
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)	<u>59,116</u>	25	<u>50,231</u>	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	<u>290,134</u>	-	<u>270,616</u>	-
	<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	<u>202,595</u>	-	<u>-</u>	-
	<u>15,170,167</u>		<u>-</u>	
Other investments	<u>10,521,740</u>	-	<u>-</u>	-
	<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	<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.

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	<u>33,115</u>	<u>-</u>
	<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

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

<u>\$ 226,339</u>	<u>\$ 181,106</u>
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e. Payments from the Fund

<u>\$ 1,446</u>	<u>\$ 3,490</u>
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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>	<u>\$ 83,540</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	<u>205</u>	<u>53,056</u>
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:

- 10% legal reserve; until the amount of total legal reserve equals the TSMC'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;
- 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:

	<u>Appropriation of Earnings</u>		<u>Dividend Per Share</u> <u>(NT\$)</u>	
	<u>For Fiscal</u> <u>Year 2003</u>	<u>For Fiscal</u> <u>Year 2002</u>	<u>For Fiscal</u> <u>Year 2003</u>	<u>For Fiscal</u> <u>Year 2002</u>
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	<u>127,805</u>	<u>58,485</u>		
	<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:

	<u>2003 Plan</u>		<u>2002 Plan</u>	
	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\$)
<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	<u>(1,404)</u>	50.9	<u>(3,899)</u>	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	<u>(1)</u>	66.5	<u>(2,885)</u>	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\$)	<u>Options Outstanding</u>			<u>Options Exercisable</u>	
		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\$)
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	-	<u>124,720</u>	<u>124,720</u>	-
	<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	<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. 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:

	<u>Amounts (Numerator)</u>		Number of Shares (Denominator) (Thousand)	<u>EPS (NT\$)</u>	
	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	<u>\$3.96</u>	<u>\$3.97</u>
Effect of diluted securities - stock options	-	-	<u>6,404</u>		
Diluted EPS					
Income available to common shareholders (including effect of diluted potential common stock)	<u>\$ 91,965,587</u>	<u>\$ 92,316,115</u>	<u>23,255,086</u>	<u>\$3.95</u>	<u>\$3.97</u>

(Continued)

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

20. RELATED PARTY TRANSACTIONS

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

- Industrial Technology Research Institute (ITRI), the Chairman of TSMC is one of its directors
- Philips, a major shareholder of TSMC
- Investees of the TSMC

VIS
SSMC
GUC
VisEra

	<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>For the years</u>				
Sales				
Philips and its affiliates	\$ 5,463,565	2	\$ 3,577,054	2
Others	<u>458,999</u>	<u>-</u>	<u>610,534</u>	<u>-</u>
	<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	<u>5,869,123</u>	<u>13</u>	<u>5,519,805</u>	<u>17</u>
	<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	-	-	-
	\$ 511,182	8	\$ 202,120	4
<u>At December 31</u>				
Receivables				
Philips and its affiliates	\$ 581,487	89	\$ 895,063	97
Others	72,890	11	25,381	3
	\$ 654,377	100	\$ 920,444	100
Other receivables				
SSMC	\$ 63,701	45	\$ 13,228	10
VIS	47,599	34	118,503	90
VisEra	30,278	21	-	-
	\$ 141,578	100	\$ 131,731	100
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	-	-	-
	\$ 2,217,815	100	\$ 3,248,289	100
Other long-term payables				
Philips and its affiliates	\$ 2,317,972	100	\$ -	-
Refundable deposits				
VIS	\$ -	-	\$ 150,840	76

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 Thousands)
<u>2004</u>			
Sell	US\$/NT\$	January 2005 to March 2005	US\$ 733,000
Sell	US\$/EUR	January 2005	US\$ 159,081

(Continued)

Financial Instruments	Currency	Maturity Date	Contract Amount (in Thousands)
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2003

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 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 and 2003 were as follows:

Contract Date	Period	Contract Amount (in Thousands)
<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

(Continued)

Contract Date	Period	Contract Amount (in Thousands)
<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 Thousands)	Outflow (In Thousands)
Within one year	\$ 69,761,484 EUR 118,500	US\$ 2,312,081

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 (In Thousands)	Fair Value	Carrying Amount (In Thousands)	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>
<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>

(Continued)

	Overseas	Taiwan	Adjustments and Elimination	Consolidated
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>

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.

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)	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	TSMC International	TSMC Development	Other receivables	\$ 1,915,020 (US\$ 60,000)	\$ 1,915,020 (US\$ 60,000)	1.50%	2	\$ -	Operating capital	\$ -	-	\$ -	N/A	\$ 31,532,982 (US\$ 987,968) (Note 2)
		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)	1.50%	2	-	Operating capital	-	-	-	N/A	(Note 3)

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.

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	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)
		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.	\$ 1,915,020 (US\$ 60,000)	\$ 1,915,020 (US\$ 60,000)	\$ -	0.48%	\$ 99,741,325
		TSMC - North America	2		1,276,680 (US\$ 40,000)	1,276,680 (US\$ 40,000)	-	0.32%	
		WaferTech	3		14,043,480 (US\$ 440,000)	-	-	-	

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.

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	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)	
The Company	<u>Government bonds</u>							
	2003 Government Bond Series A	-	Short-term investment	-	\$ 1,207,409	N/A	\$ 1,202,028	
	United States Treas NTS	-	Short-term investment	-	US\$ 192,357	N/A	US\$ 191,824	
	2003 Government Bond Series I	-	Long-term investment	-	3,397,081	N/A	3,393,982	
	2004 Government Bond Series A	-	Long-term investment	-	2,349,573	N/A	2,352,973	
	2004 Government Bond Series E	-	Long-term investment	-	3,893,827	N/A	3,892,025	
	2004 Kaohsiung Municipal Bond Series A	-	Long-term investment	-	620,000	N/A	620,000	
	<u>Bonds under repurchase agreement</u>	-	Short-term investment	-	249,449	N/A	251,593	
	<u>Bond funds</u>							
	JF Taiwan Bond Fund	-	Short-term investment	78,698	1,153,209	N/A	1,169,406	
	ABN AMRO Bond Fund	-	Short-term investment	134,906	1,956,175	N/A	1,978,785	
	JF Taiwan First Bond Fund	-	Short-term investment	84,886	1,151,463	N/A	1,162,632	
	INVESCO R.O.C. Bond A Fund	-	Short-term investment	76,705	1,101,911	N/A	1,111,932	
	Dresdner Bond DAM Fund	-	Short-term investment	80,833	900,000	N/A	910,904	
	Barits Bond Fund	-	Short-term investment	76,640	900,000	N/A	907,765	
	Shinkong Chi Shin Bond Fund	-	Short-term investment	151,594	2,100,000	N/A	2,115,554	
	ABN AMRO Select Bond Fund	-	Short-term investment	18,235	200,000	N/A	201,183	
	NITC Bond Fund	-	Short-term investment	3,764	600,000	N/A	602,703	
	HSBC NTD Money Management Fund	-	Short-term investment	41,568	600,000	N/A	601,958	
	<u>Stock</u>							
	Taiwan Mask Corp.	-	Short-term investment	1,787	6,528	-	27,552	
	TSMC International	Subsidiary	Long-term investment	987,968	23,778,997	100	23,778,997	
	VIS	Investee	Long-term investment	409,532	5,401,982	28	8,493,692	
	TSMC Partners	Subsidiary	Long-term investment	300	3,908,356	100	3,908,356	
	SSMC	Investee	Long-term investment	382	3,290,888	32	3,290,888	
	TSMC - North America	Subsidiary	Long-term investment	11,000	502,242	100	1,179,352	Treasury stock of NT\$677,110 thousand is deducted from the carrying value.
	GUC	Investee	Long-term investment	39,040	391,626	47	418,272	
	TSMC - Japan	Subsidiary	Long-term investment	6	102,572	100	102,572	
	VisEra	Investee	Long-term investment	5,100	59,116	25	59,116	
	TSMC - Europe	Subsidiary	Long-term investment	-	25,439	100	25,439	
	United Industrial Gases Co., Ltd.	-	Long-term investment	16,783	193,584	10	284,036	
Shin-Etsu Handotai Taiwan Co., Ltd.	-	Long-term investment	10,500	105,000	7	170,940		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	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)	
	W.K. Technology Fund IV	-	Long-term investment	5,000	\$ 50,000	2	\$ 55,146	
	Hontung Venture Capital Co., Ltd.	-	Long-term investment	8,392	83,916	10	53,571	
	Globaltop Partner I Venture Capital Corp.	-	Long-term investment	5,000	50,000	1	49,909	
	<u>Corporate bonds</u>							
	Taiwan Power Company	-	Short-term investment	-	2,777,798	N/A	2,749,413	
	Abbott Labs	-	Short-term investment	-	US\$ 2,732	N/A	US\$ 2,709	
	Abbott Labs	-	Short-term investment	-	US\$ 1,581	N/A	US\$ 1,587	
	Ace Ltd	-	Short-term investment	-	US\$ 1,046	N/A	US\$ 1,042	
	AIG Sunamerica Global Fing IX	-	Short-term investment	-	US\$ 1,032	N/A	US\$ 1,028	
	Allstate Finl Global Fdg LLC	-	Short-term investment	-	US\$ 3,171	N/A	US\$ 3,096	
	American Express Co.	-	Short-term investment	-	US\$ 3,550	N/A	US\$ 3,503	
	American Gen Fin Corp.	-	Short-term investment	-	US\$ 1,768	N/A	US\$ 1,765	
	American Gen Fin Corp. Mtn	-	Short-term investment	-	US\$ 3,130	N/A	US\$ 3,087	
	American Gen Fin Corp. Mtn	-	Short-term investment	-	US\$ 1,058	N/A	US\$ 1,042	
	American Honda Fin Corp. Mtn	-	Short-term investment	-	US\$ 3,800	N/A	US\$ 3,803	
	American Intl Group Inc. Mtnf	-	Short-term investment	-	US\$ 3,795	N/A	US\$ 3,795	
	Amgen Inc.	-	Short-term investment	-	US\$ 3,005	N/A	US\$ 2,991	
	Amsouth Bk Birmingham Ala	-	Short-term investment	-	US\$ 1,972	N/A	US\$ 1,978	
	ANZ Cap Tr I	-	Short-term investment	-	US\$ 1,012	N/A	US\$ 1,001	
	Bank New York Inc.	-	Short-term investment	-	US\$ 1,525	N/A	US\$ 1,509	
	Bank New York Inc.	-	Short-term investment	-	US\$ 3,945	N/A	US\$ 3,943	
	Bank Scotland Treas Svcs PLC	-	Short-term investment	-	US\$ 2,715	N/A	US\$ 2,717	
	Bank Utd Houston TX Mtn	-	Short-term investment	-	US\$ 580	N/A	US\$ 574	
	Bear Stearns Cos Inc.	-	Short-term investment	-	US\$ 3,518	N/A	US\$ 3,493	
	Bear Stearns Cos Inc. Medium Te	-	Short-term investment	-	US\$ 3,105	N/A	US\$ 3,105	
	Berkshire Hathaway Fin Corp.	-	Short-term investment	-	US\$ 1,498	N/A	US\$ 1,494	
	Bristol Myers Squibb Co.	-	Short-term investment	-	US\$ 3,819	N/A	US\$ 3,788	
	British Telecommunications PLC	-	Short-term investment	-	US\$ 2,104	N/A	US\$ 2,091	
	Cargill Inc.	-	Short-term investment	-	US\$ 2,120	N/A	US\$ 2,079	
	Chase Manhattan Corp. New	-	Short-term investment	-	US\$ 1,628	N/A	US\$ 1,613	
	Cit Group Hldgs Inc.	-	Short-term investment	-	US\$ 3,203	N/A	US\$ 3,195	
	Citigroup Inc.	-	Short-term investment	-	US\$ 2,000	N/A	US\$ 2,002	
	Citigroup Inc.	-	Short-term investment	-	US\$ 1,033	N/A	US\$ 1,033	
	Citigroup Inc.	-	Short-term investment	-	US\$ 3,583	N/A	US\$ 3,523	
	Colonial Pipeline Co.	-	Short-term investment	-	US\$ 1,625	N/A	US\$ 1,612	
	Compaq Computer Corp.	-	Short-term investment	-	US\$ 3,719	N/A	US\$ 3,593	
	Consolidated Edison Co. NY Inc.	-	Short-term investment	-	US\$ 3,687	N/A	US\$ 3,618	
	Corestates Cap Corp.	-	Short-term investment	-	US\$ 1,062	N/A	US\$ 1,060	
	Countrywide Fdg Corp. Mtn	-	Short-term investment	-	US\$ 2,158	N/A	US\$ 2,151	
	Countrywide Home Lns Inc.	-	Short-term investment	-	US\$ 5,210	N/A	US\$ 5,157	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	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)	
	Credit Suisse Fb USA Inc.	-	Short-term investment	-	US\$ 2,645	N/A	US\$ 2,599	
	Credit Suisse First Boston	-	Short-term investment	-	US\$ 786	N/A	US\$ 779	
	Credit Suisse First Boston USA	-	Short-term investment	-	US\$ 2,249	N/A	US\$ 2,240	
	Daimlerchrysler North Amer	-	Short-term investment	-	US\$ 997	N/A	US\$ 999	
	Daimlerchrysler North Amer Hld	-	Short-term investment	-	US\$ 749	N/A	US\$ 755	
	Dell Computer Corp.	-	Short-term investment	-	US\$ 3,054	N/A	US\$ 3,025	
	Den Danske BK Aktieselskab	-	Short-term investment	-	US\$ 2,192	N/A	US\$ 2,166	
	Deutsche Telekom Intl Fin BV	-	Short-term investment	-	US\$ 1,852	N/A	US\$ 1,838	
	Diageo PLC	-	Short-term investment	-	US\$ 3,459	N/A	US\$ 3,477	
	Dow Chem Co.	-	Short-term investment	-	US\$ 921	N/A	US\$ 911	
	European Invst Bk	-	Short-term investment	-	US\$ 8,315	N/A	US\$ 8,236	
	Fifth Third Bk Cincinnati OH	-	Short-term investment	-	US\$ 2,419	N/A	US\$ 2,466	
	First Data Corp.	-	Short-term investment	-	US\$ 3,013	N/A	US\$ 2,986	
	First Un Corp.	-	Short-term investment	-	US\$ 970	N/A	US\$ 965	
	Fleet Finl Group Inc. New	-	Short-term investment	-	US\$ 494	N/A	US\$ 493	
	Fleet Finl Corp Inc. New	-	Short-term investment	-	US\$ 975	N/A	US\$ 962	
	Ford Mtr Cr Co.	-	Short-term investment	-	US\$ 1,542	N/A	US\$ 1,535	
	FPL Group Cap Inc.	-	Short-term investment	-	US\$ 1,001	N/A	US\$ 990	
	FPL Group Cap Inc.	-	Short-term investment	-	US\$ 860	N/A	US\$ 846	
	General Elec Cap Corp. Mtn	-	Short-term investment	-	US\$ 3,467	N/A	US\$ 3,455	
	General Elec Cap Corp. Mtn	-	Short-term investment	-	US\$ 1,040	N/A	US\$ 1,040	
	General Elec Cap Corp. Mtn	-	Short-term investment	-	US\$ 3,886	N/A	US\$ 3,878	
	Genworth Finl Inc.	-	Short-term investment	-	US\$ 3,412	N/A	US\$ 3,408	
	Goldman Sachs Group Inc. Mtn	-	Short-term investment	-	US\$ 3,505	N/A	US\$ 3,494	
	Goldman Sachs Group LP	-	Short-term investment	-	US\$ 1,637	N/A	US\$ 1,599	
	Goldman Sachs Group LP	-	Short-term investment	-	US\$ 1,100	N/A	US\$ 1,075	
	Greenpoint Finl Corp.	-	Short-term investment	-	US\$ 974	N/A	US\$ 972	
	GTE Corp.	-	Short-term investment	-	US\$ 2,134	N/A	US\$ 2,109	
	Hancock John Global Fdg Mtn	-	Short-term investment	-	US\$ 1,003	N/A	US\$ 986	
	Hartford Finl Svcs Group Inc.	-	Short-term investment	-	US\$ 765	N/A	US\$ 758	
	Hartford Finl Svcs Group Inc.	-	Short-term investment	-	US\$ 296	N/A	US\$ 296	
	Heller Finl Inc.	-	Short-term investment	-	US\$ 1,171	N/A	US\$ 1,163	
	Hershey Foods Corp.	-	Short-term investment	-	US\$ 1,627	N/A	US\$ 1,606	
	Hewlett Packard Co.	-	Short-term investment	-	US\$ 3,373	N/A	US\$ 3,305	
	Honeywell Inc.	-	Short-term investment	-	US\$ 3,284	N/A	US\$ 3,218	
	Household Fin Corp.	-	Short-term investment	-	US\$ 529	N/A	US\$ 522	
	Household Fin Corp.	-	Short-term investment	-	US\$ 2,993	N/A	US\$ 2,985	
	Household Fin Corp. Mtn Bk Ent	-	Short-term investment	-	US\$ 3,542	N/A	US\$ 3,510	
	HSBC USA Inc. New	-	Short-term investment	-	US\$ 1,154	N/A	US\$ 1,134	
	Huntington Natl Bk	-	Short-term investment	-	US\$ 3,003	N/A	US\$ 3,000	
	Huntington Natl Bk Columbus OH	-	Short-term investment	-	US\$ 2,954	N/A	US\$ 2,961	
	ING Bank	-	Short-term investment	-	US\$ 2,114	N/A	US\$ 2,113	
	ING Sec Life Ins IngsIf	-	Short-term investment	-	US\$ 3,012	N/A	US\$ 3,007	
	Intl Bk For Recon + Dev	-	Short-term investment	-	US\$ 5,232	N/A	US\$ 5,102	
	JP Morgan Chase + Co.	-	Short-term investment	-	US\$ 1,043	N/A	US\$ 1,039	
	Jackson Natl Life Global Fdg	-	Short-term investment	-	US\$ 1,036	N/A	US\$ 1,032	
	Jackson Natl Life Global Fdg S	-	Short-term investment	-	US\$ 2,998	N/A	US\$ 2,988	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	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)	
	JP Morgan Chase + Co.	-	Short-term investment	-	US\$ 3,663	N/A	US\$ 3,629	
	Keycorp Mtn Book Entry	-	Short-term investment	-	US\$ 3,500	N/A	US\$ 3,502	
	KFW Intl Fin Inc.	-	Short-term investment	-	US\$ 5,104	N/A	US\$ 5,027	
	Kraft Foods Inc.	-	Short-term investment	-	US\$ 773	N/A	US\$ 765	
	Kraft Foods Inc.	-	Short-term investment	-	US\$ 1,037	N/A	US\$ 1,036	
	Lehman Brothers Hldgs Inc.	-	Short-term investment	-	US\$ 1,163	N/A	US\$ 1,162	
	Lehman Brothers Hldgs Inc.	-	Short-term investment	-	US\$ 3,705	N/A	US\$ 3,634	
	Lehman Brothers Hldgs Inc.	-	Short-term investment	-	US\$ 2,171	N/A	US\$ 2,154	
	Lilly Eli + Co.	-	Short-term investment	-	US\$ 3,750	N/A	US\$ 3,749	
	Lincoln Natl Corp. In	-	Short-term investment	-	US\$ 519	N/A	US\$ 518	
	Merita Bk Ltd NY Brh	-	Short-term investment	-	US\$ 538	N/A	US\$ 533	
	Merrill Lynch + Co. Inc.	-	Short-term investment	-	US\$ 3,486	N/A	US\$ 3,481	
	Metropolitan Life Global Mtn	-	Short-term investment	-	US\$ 1,907	N/A	US\$ 1,910	
	Monumental Global Fdg II	-	Short-term investment	-	US\$ 2,500	N/A	US\$ 2,501	
	Monumental Global Fdg II	-	Short-term investment	-	US\$ 1,534	N/A	US\$ 1,516	
	Monumental Global Fdg II 2002A	-	Short-term investment	-	US\$ 1,045	N/A	US\$ 1,034	
	Morgan Stanley	-	Short-term investment	-	US\$ 2,136	N/A	US\$ 2,128	
	Morgan Stanley Group Inc.	-	Short-term investment	-	US\$ 3,638	N/A	US\$ 3,628	
	Morgan Stanley Group Inc.	-	Short-term investment	-	US\$ 1,050	N/A	US\$ 1,048	
	National Westminster Bk PLC	-	Short-term investment	-	US\$ 1,433	N/A	US\$ 1,422	
	Nationsbank Corp.	-	Short-term investment	-	US\$ 3,644	N/A	US\$ 3,549	
	Nationwide Bldg Soc	-	Short-term investment	-	US\$ 3,457	N/A	US\$ 3,477	
	Nationwide Life Global Mtn	-	Short-term investment	-	US\$ 1,463	N/A	US\$ 1,469	
	Pepsico Inc. Mtn Book Entry	-	Short-term investment	-	US\$ 3,818	N/A	US\$ 3,817	
	PNC Fdg Corp.	-	Short-term investment	-	US\$ 1,080	N/A	US\$ 1,075	
	Popular North Amer Inc. Mtn	-	Short-term investment	-	US\$ 3,042	N/A	US\$ 3,022	
	Premark Intl Inc.	-	Short-term investment	-	US\$ 2,954	N/A	US\$ 2,914	
	Pricoa Global Fdg I Mtn	-	Short-term investment	-	US\$ 3,507	N/A	US\$ 3,503	
	Pricoa Global Fdg I Mtn	-	Short-term investment	-	US\$ 3,050	N/A	US\$ 3,047	
	Principal Life Global Fdg I Gl	-	Short-term investment	-	US\$ 3,168	N/A	US\$ 3,102	
	Protective Life Secd Trs	-	Short-term investment	-	US\$ 2,920	N/A	US\$ 2,969	
	Prudential Ins Co. Amer	-	Short-term investment	-	US\$ 2,648	N/A	US\$ 2,610	
	Reinsurance Group Amer Inc.	-	Short-term investment	-	US\$ 2,091	N/A	US\$ 2,089	
	Royal Bk Scotland Group PLC	-	Short-term investment	-	US\$ 1,563	N/A	US\$ 1,547	
	Royal Bk Scotland Group PLC	-	Short-term investment	-	US\$ 564	N/A	US\$ 558	
	Royal Bk Scotland Group PLC	-	Short-term investment	-	US\$ 369	N/A	US\$ 364	
	Safeco Corp.	-	Short-term investment	-	US\$ 765	N/A	US\$ 763	
	Salomon Smith Barney Hldgs Inc.	-	Short-term investment	-	US\$ 3,160	N/A	US\$ 3,100	
	Sara Lee Corp.	-	Short-term investment	-	US\$ 1,596	N/A	US\$ 1,601	
	SBC Communications Inc.	-	Short-term investment	-	US\$ 3,681	N/A	US\$ 3,617	
	SBC Communications Inc.	-	Short-term investment	-	US\$ 2,251	N/A	US\$ 2,245	
	Scotland Intl Fin B V 144A	-	Short-term investment	-	US\$ 1,533	N/A	US\$ 1,532	
	Shell Finance (UK) PLC	-	Short-term investment	-	US\$ 3,604	N/A	US\$ 3,553	
	SLM Corp.	-	Short-term investment	-	US\$ 500	N/A	US\$ 501	
	SLM Corp. Medium Term Nts	-	Short-term investment	-	US\$ 2,950	N/A	US\$ 2,985	
	SP Powerassets Ltd Global	-	Short-term investment	-	US\$ 991	N/A	US\$ 992	
	Suntrust Bks Inc.	-	Short-term investment	-	US\$ 1,062	N/A	US\$ 1,060	
	Swedbank Sparbanken Svenge AB	-	Short-term investment	-	US\$ 1,084	N/A	US\$ 1,067	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	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)	
	TIAA Global Mkts Inc.	-	Short-term investment	-	US\$ 519	N/A	US\$ 514	
	Tribune Co. Med Trm Nts	-	Short-term investment	-	US\$ 2,943	N/A	US\$ 2,965	
	Union Planters	-	Short-term investment	-	US\$ 2,755	N/A	US\$ 2,704	
	Unitedhealth Group Inc.	-	Short-term investment	-	US\$ 3,119	N/A	US\$ 3,097	
	US Bk Natl Assn Cincinnati OH	-	Short-term investment	-	US\$ 2,669	N/A	US\$ 2,687	
	Virginia Elec + Pwr Co.	-	Short-term investment	-	US\$ 2,884	N/A	US\$ 2,838	
	Vodafone Group PLC New	-	Short-term investment	-	US\$ 2,559	N/A	US\$ 2,561	
	Wachovia Corp.	-	Short-term investment	-	US\$ 3,720	N/A	US\$ 3,600	
	Wal Mart Cda Venture Corp.	-	Short-term investment	-	US\$ 3,670	N/A	US\$ 3,602	
	Washington Mut Fin Corp.	-	Short-term investment	-	US\$ 4,768	N/A	US\$ 4,689	
	Washington Mut Inc.	-	Short-term investment	-	US\$ 4,735	N/A	US\$ 4,682	
	Washington Post Co.	-	Short-term investment	-	US\$ 3,182	N/A	US\$ 3,180	
	Wells Fargo + Co. New	-	Short-term investment	-	US\$ 3,697	N/A	US\$ 3,631	
	Westfield Cap Corp. Ltd	-	Short-term investment	-	US\$ 1,999	N/A	US\$ 1,999	
	China Steel Corporation	-	Long-term investment	-	2,978,804	N/A	2,977,695	
	Taiwan Power Company	-	Long-term investment	-	915,276	N/A	914,582	
	Nan Ya Plastics Corporation	-	Long-term investment	-	407,526	N/A	407,484	
	Formosa Plastics Corporation	-	Long-term investment	-	405,485	N/A	405,322	
	Formosa Petrochemical Corporation	-	Long-term investment	-	202,595	N/A	200,000	
	<u>Agency bonds</u>							
	Fed Hm Ln Pc	-	Short-term investment	-	US\$ 3,466	N/A	US\$ 3,462	
	Federal Home Ln Bks	-	Short-term investment	-	US\$ 2,532	N/A	US\$ 2,520	
	Federal Home Ln Bks	-	Short-term investment	-	US\$ 1,042	N/A	US\$ 1,024	
	Federal Home Ln Bks	-	Short-term investment	-	US\$ 4,927	N/A	US\$ 4,947	
	Federal Home Ln Bks	-	Short-term investment	-	US\$ 7,962	N/A	US\$ 7,939	
	Federal Home Ln Bks	-	Short-term investment	-	US\$ 7,014	N/A	US\$ 6,924	
	Federal Home Ln Bks	-	Short-term investment	-	US\$ 4,936	N/A	US\$ 4,949	
	Federal Home Ln Bks	-	Short-term investment	-	US\$ 4,948	N/A	US\$ 4,944	
	Federal Home Ln Bks	-	Short-term investment	-	US\$ 2,454	N/A	US\$ 2,468	
	Federal Home Ln Bks	-	Short-term investment	-	US\$ 7,018	N/A	US\$ 7,004	
	Federal Home Ln Bks	-	Short-term investment	-	US\$ 4,996	N/A	US\$ 4,973	
	Federal Home Ln Bks	-	Short-term investment	-	US\$ 7,042	N/A	US\$ 6,985	
	Federal Home Ln Bks	-	Short-term investment	-	US\$ 6,098	N/A	US\$ 6,084	
	Federal Home Ln Bks	-	Short-term investment	-	US\$ 2,909	N/A	US\$ 2,907	
	Federal Home Ln Bks	-	Short-term investment	-	US\$ 13,953	N/A	US\$ 13,898	
	Federal Home Ln Bks	-	Short-term investment	-	US\$ 13,983	N/A	US\$ 13,946	
	Federal Home Ln Bks	-	Short-term investment	-	US\$ 13,981	N/A	US\$ 13,946	
	Federal Home Ln Mtg Corp	-	Short-term investment	-	US\$ 6,978	N/A	US\$ 6,928	
	Federal Home Ln Mtg Corp.	-	Short-term investment	-	US\$ 3,388	N/A	US\$ 3,419	
	Federal Home Ln Mtg Corp	-	Short-term investment	-	US\$ 4,953	N/A	US\$ 4,941	
	Federal Home Ln Mtg Corp.	-	Short-term investment	-	US\$ 9,997	N/A	US\$ 9,943	
	Federal Home Ln Mtg Corp.	-	Short-term investment	-	US\$ 998	N/A	US\$ 993	
	Federal Home Ln Mtg Corp.	-	Short-term investment	-	US\$ 4,933	N/A	US\$ 4,936	
	Federal Home Ln Mtg Corp. Mtn	-	Short-term investment	-	US\$ 4,930	N/A	US\$ 4,938	
	Federal Home Loan Mtg Assn	-	Short-term investment	-	US\$ 4,847	N/A	US\$ 4,891	
	Federal Home Loan Mtg Corp.	-	Short-term investment	-	US\$ 4,903	N/A	US\$ 4,943	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	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)	
	Federal Natl Mtg Assn	-	Short-term investment	-	US\$ 5,270	N/A	US\$ 5,237	
	Federal Natl Mtg Assn	-	Short-term investment	-	US\$ 6,940	N/A	US\$ 6,937	
	Federal Natl Mtg Assn	-	Short-term investment	-	US\$ 6,903	N/A	US\$ 6,917	
	Federal Natl Mtg Assn	-	Short-term investment	-	US\$ 4,981	N/A	US\$ 4,953	
	Federal Natl Mtg Assn	-	Short-term investment	-	US\$ 6,997	N/A	US\$ 6,983	
	Federal Natl Mtg Assn Mtn	-	Short-term investment	-	US\$ 15,787	N/A	US\$ 15,798	
	Federal Natl Mtg Assn Mtn	-	Short-term investment	-	US\$ 7,000	N/A	US\$ 6,976	
	Freddie Mac	-	Short-term investment	-	US\$ 4,929	N/A	US\$ 4,934	
	Fed Hm Ln Pc Pool E89857	-	Short-term investment	-	US\$ 2,535	N/A	US\$ 2,531	
	Fed Hm Ln Pc Pool G11295	-	Short-term investment	-	US\$ 2,277	N/A	US\$ 2,273	
	Federal Home Ln Mtg Corp.	-	Short-term investment	-	US\$ 6,096	N/A	US\$ 6,075	
	Federal Home Ln Mtg Corp.	-	Short-term investment	-	US\$ 4,435	N/A	US\$ 4,440	
	Federal Home Ln Mtg Corp.	-	Short-term investment	-	US\$ 3,558	N/A	US\$ 3,539	
	Federal Home Ln Mtg Corp.	-	Short-term investment	-	US\$ 3,645	N/A	US\$ 3,615	
	Federal Natl Mtg Assn	-	Short-term investment	-	US\$ 4,242	N/A	US\$ 4,188	
	Federal Natl Mtg Assn	-	Short-term investment	-	US\$ 2,141	N/A	US\$ 2,126	
	Federal Natl Mtg Assn	-	Short-term investment	-	US\$ 4,765	N/A	US\$ 4,719	
	Federal Natl Mtg Assn Gtd	-	Short-term investment	-	US\$ 3,486	N/A	US\$ 3,446	
	FNMA Pool 685116	-	Short-term investment	-	US\$ 1,003	N/A	US\$ 1,002	
	FNMA Pool 725095	-	Short-term investment	-	US\$ 2,008	N/A	US\$ 2,003	
	FNMA Pool 790828	-	Short-term investment	-	US\$ 4,807	N/A	US\$ 4,773	
	FNMA Pool 793932	-	Short-term investment	-	US\$ 994	N/A	US\$ 994	
	FNMA Pool 794040	-	Short-term investment	-	US\$ 1,021	N/A	US\$ 1,020	
	FNMA Pool 795548	-	Short-term investment	-	US\$ 977	N/A	US\$ 975	
	FNMA Pool 806642	-	Short-term investment	-	US\$ 2,006	N/A	US\$ 2,004	
	GNMA II Pool 081150	-	Short-term investment	-	US\$ 999	N/A	US\$ 997	
	GNMA II Pool 081153	-	Short-term investment	-	US\$ 3,789	N/A	US\$ 3,766	
	Government Natl Mtg Assn	-	Short-term investment	-	US\$ 1,734	N/A	US\$ 1,700	
	<u>Corporate issued asset-backed securities</u>							
	Aegis Asset Backed Secs Tr	-	Short-term investment	-	US\$ 2,000	N/A	US\$ 2,004	
	Aesop Fed II LLC	-	Short-term investment	-	US\$ 4,955	N/A	US\$ 4,963	
	Aesop Fed II LLC	-	Short-term investment	-	US\$ 1,912	N/A	US\$ 1,888	
	American Express Cr Account Ma	-	Short-term investment	-	US\$ 3,445	N/A	US\$ 3,427	
	American Home Mtg Invt Tr	-	Short-term investment	-	US\$ 949	N/A	US\$ 949	
	Americredit Automobile Receiv	-	Short-term investment	-	US\$ 2,002	N/A	US\$ 1,998	
	Americredit Automobile Rec Tr	-	Short-term investment	-	US\$ 1,055	N/A	US\$ 1,048	
	Americredit Automobile Rec Tr	-	Short-term investment	-	US\$ 2,000	N/A	US\$ 1,990	
	Americredit Automobile Receivb	-	Short-term investment	-	US\$ 4,949	N/A	US\$ 4,912	
	Atlantic City Elc Trns Fdg LLC	-	Short-term investment	-	US\$ 926	N/A	US\$ 923	
	Banc Amer Coml Mtg Inc.	-	Short-term investment	-	US\$ 5,364	N/A	US\$ 5,315	
	Banc Amer Mtg Secs Inc.	-	Short-term investment	-	US\$ 4,030	N/A	US\$ 4,006	
	Bank of Amer Lease Equip Tr	-	Short-term investment	-	US\$ 4,023	N/A	US\$ 3,995	
	Bear Stearns Alt A Tr	-	Short-term investment	-	US\$ 1,478	N/A	US\$ 1,489	
	Bear Stearns Asset Backed Secs	-	Short-term investment	-	US\$ 2,000	N/A	US\$ 2,000	
	BMW Veh Owner Tr	-	Short-term investment	-	US\$ 4,978	N/A	US\$ 4,941	
	California Infr + Economic Dev	-	Short-term investment	-	US\$ 4,298	N/A	US\$ 4,230	

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Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	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)	
	California Infrs + Economic	-	Short-term investment	-	US\$ 6,126	N/A	US\$ 6,064	
	California Infrastructure Dev	-	Short-term investment	-	US\$ 5,089	N/A	US\$ 5,035	
	Capital Auto Receivables Asset	-	Short-term investment	-	US\$ 4,018	N/A	US\$ 3,992	
	Capital One Auto Fin Tr	-	Short-term investment	-	US\$ 319	N/A	US\$ 318	
	Capital One Auto Fin Tr	-	Short-term investment	-	US\$ 1,147	N/A	US\$ 1,145	
	Capital One Auto Fin Tr	-	Short-term investment	-	US\$ 3,000	N/A	US\$ 2,989	
	Capital One Multi Asset Execut	-	Short-term investment	-	US\$ 4,957	N/A	US\$ 4,977	
	Caterpillar Finl Asset Tr	-	Short-term investment	-	US\$ 10,008	N/A	US\$ 9,923	
	Centex Home Equity Ln Tr	-	Short-term investment	-	US\$ 3,500	N/A	US\$ 3,493	
	Cit Equip Coll Tr	-	Short-term investment	-	US\$ 4,999	N/A	US\$ 4,991	
	Citibank Cr Card Issuance Tr	-	Short-term investment	-	US\$ 4,959	N/A	US\$ 4,965	
	Citicorp Mtg Secs	-	Short-term investment	-	US\$ 2,364	N/A	US\$ 2,363	
	CNH Equip Tr	-	Short-term investment	-	US\$ 5,000	N/A	US\$ 4,952	
	Comm 2004 Htl 1	-	Short-term investment	-	US\$ 4,600	N/A	US\$ 4,607	
	Credit Suisse First Boston Mtg	-	Short-term investment	-	US\$ 4,209	N/A	US\$ 4,178	
	CWABS Inc.	-	Short-term investment	-	US\$ 1,647	N/A	US\$ 1,662	
	CWABS Inc.	-	Short-term investment	-	US\$ 1,903	N/A	US\$ 1,907	
	CWABS Inc.	-	Short-term investment	-	US\$ 1,907	N/A	US\$ 1,912	
	CWABS Inc.	-	Short-term investment	-	US\$ 2,000	N/A	US\$ 1,997	
	CWABS Inc.	-	Short-term investment	-	US\$ 5,000	N/A	US\$ 5,055	
	CWABS Inc.	-	Short-term investment	-	US\$ 3,500	N/A	US\$ 3,541	
	CWALT Inc.	-	Short-term investment	-	US\$ 4,292	N/A	US\$ 4,277	
	CWABS Inc.	-	Short-term investment	-	US\$ 2,317	N/A	US\$ 2,298	
	CWABS Inc.	-	Short-term investment	-	US\$ 4,040	N/A	US\$ 4,040	
	Daimlerchrysler Auto Tr	-	Short-term investment	-	US\$ 4,991	N/A	US\$ 4,970	
	Daimlerchrysler Auto Tr	-	Short-term investment	-	US\$ 4,982	N/A	US\$ 4,970	
	Daimlerchrysler Auto Tr	-	Short-term investment	-	US\$ 4,897	N/A	US\$ 4,893	
	Detroit Edison Securitization	-	Short-term investment	-	US\$ 674	N/A	US\$ 671	
	Fifth Third Auto Tr	-	Short-term investment	-	US\$ 3,000	N/A	US\$ 2,999	
	Finance Amer Mtg Ln Tr	-	Short-term investment	-	US\$ 985	N/A	US\$ 986	
	First Franklin Mtg Ln Tr	-	Short-term investment	-	US\$ 2,002	N/A	US\$ 2,006	
	First Horizon Abs Tr	-	Short-term investment	-	US\$ 2,000	N/A	US\$ 2,000	
	First Union Lehman Bros Mtg Tr	-	Short-term investment	-	US\$ 3,567	N/A	US\$ 3,534	
	First USA Credit Cr Master Tr	-	Short-term investment	-	US\$ 5,011	N/A	US\$ 5,008	
	Ford Cr Auto Owner Tr	-	Short-term investment	-	US\$ 10,999	N/A	US\$ 10,936	
	Granite Mtgs PLC	-	Short-term investment	-	US\$ 5,000	N/A	US\$ 5,000	
	GS Auto Ln Tr	-	Short-term investment	-	US\$ 2,948	N/A	US\$ 2,970	
	GS Mtg Secs Corp.	-	Short-term investment	-	US\$ 2,944	N/A	US\$ 2,944	
	Harley Davidson Motorcycle Tr	-	Short-term investment	-	US\$ 3,417	N/A	US\$ 3,400	
	Harley Davidson Motorcycle Tr	-	Short-term investment	-	US\$ 5,999	N/A	US\$ 5,938	
	Holmes Fing No 8 PLC	-	Short-term investment	-	US\$ 5,001	N/A	US\$ 5,052	
	Honda Auto Receivables	-	Short-term investment	-	US\$ 5,000	N/A	US\$ 4,991	
	Household Automotive Tr	-	Short-term investment	-	US\$ 513	N/A	US\$ 511	
	Hyundai Auto Receivables Tr	-	Short-term investment	-	US\$ 3,500	N/A	US\$ 3,468	
	IMPAC Cmb Tr	-	Short-term investment	-	US\$ 1,414	N/A	US\$ 1,413	
	IMPAC Cmb Tr	-	Short-term investment	-	US\$ 988	N/A	US\$ 988	
	IMPAC Secd Assets Corp.	-	Short-term investment	-	US\$ 3,570	N/A	US\$ 3,566	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	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)	
	Long Beach Accep Auto Receivab	-	Short-term investment	-	US\$ 2,526	N/A	US\$ 2,502	
	Merrill Lynch Mtg Invs Inc.	-	Short-term investment	-	US\$ 1,460	N/A	US\$ 1,460	
	Merrill Lynch Mtg Invs Inc.	-	Short-term investment	-	US\$ 1,500	N/A	US\$ 1,502	
	Monumentl Global Fdg II	-	Short-term investment	-	US\$ 1,000	N/A	US\$ 1,001	
	National City Auto Receivables	-	Short-term investment	-	US\$ 1,206	N/A	US\$ 1,207	
	Navistar finl 2003 A Owner Tr	-	Short-term investment	-	US\$ 4,928	N/A	US\$ 4,889	
	Nissan Auto Receivables	-	Short-term investment	-	US\$ 7,000	N/A	US\$ 6,958	
	Nissan Auto Receivables Own Tr	-	Short-term investment	-	US\$ 4,999	N/A	US\$ 4,993	
	Nissan Auto Receivables Owner	-	Short-term investment	-	US\$ 4,853	N/A	US\$ 4,872	
	ONYX Accep Owner Tr	-	Short-term investment	-	US\$ 963	N/A	US\$ 961	
	ONYX Accep Owner Tr	-	Short-term investment	-	US\$ 4,913	N/A	US\$ 4,933	
	Providian Gateway Owner Tr	-	Short-term investment	-	US\$ 4,204	N/A	US\$ 4,201	
	Providian Gateway Owner Tr	-	Short-term investment	-	US\$ 3,992	N/A	US\$ 3,982	
	Reliant Energy Transition Bd	-	Short-term investment	-	US\$ 5,185	N/A	US\$ 5,117	
	Residential Asset Mtg Prods	-	Short-term investment	-	US\$ 3,731	N/A	US\$ 3,672	
	Residential Asset Mtg Prods	-	Short-term investment	-	US\$ 3,000	N/A	US\$ 2,980	
	Residential Fdg Mtg Secs I Inc.	-	Short-term investment	-	US\$ 3,659	N/A	US\$ 3,631	
	Sequoia Mtg Tr	-	Short-term investment	-	US\$ 2,504	N/A	US\$ 2,513	
	Sequoia Mtg Tr	-	Short-term investment	-	US\$ 1,960	N/A	US\$ 1,955	
	Sequoia Mtg Tr	-	Short-term investment	-	US\$ 1,488	N/A	US\$ 1,486	
	Sequoia Mtg Tr	-	Short-term investment	-	US\$ 2,000	N/A	US\$ 2,000	
	Sequoia Mtg Tr	-	Short-term investment	-	US\$ 3,500	N/A	US\$ 3,500	
	Structured Adj Rate Mtg Ln Tr	-	Short-term investment	-	US\$ 3,037	N/A	US\$ 3,031	
	Structured Asset Secs Corp.	-	Short-term investment	-	US\$ 1,403	N/A	US\$ 1,394	
	Thoornburg Mtg Secs Tr	-	Short-term investment	-	US\$ 1,921	N/A	US\$ 1,923	
	Toyota Auto Receivables 2003B	-	Short-term investment	-	US\$ 4,970	N/A	US\$ 4,930	
	Triad Auto Receivables Tr	-	Short-term investment	-	US\$ 5,042	N/A	US\$ 4,997	
	TXU Elec Delivery Transition	-	Short-term investment	-	US\$ 7,736	N/A	US\$ 7,715	
	USAA Auto Owner Tr	-	Short-term investment	-	US\$ 4,000	N/A	US\$ 3,991	
	Wachovia Auto Owner Tr	-	Short-term investment	-	US\$ 6,000	N/A	US\$ 5,991	
	Wachovia Auto Owner Tr	-	Short-term investment	-	US\$ 4,999	N/A	US\$ 4,995	
	WFS Financial Owner Trust	-	Short-term investment	-	US\$ 5,008	N/A	US\$ 4,989	
	WFS Finl 2004 2 Owner Tr	-	Short-term investment	-	US\$ 4,994	N/A	US\$ 4,992	
	WFS Finl 2004 4 Owner Tr	-	Short-term investment	-	US\$ 5,399	N/A	US\$ 5,342	
	Whole Auto Ln Tr	-	Short-term investment	-	US\$ 5,967	N/A	US\$ 5,966	
	Whole Auto Ln Tr	-	Short-term investment	-	US\$ 4,000	N/A	US\$ 3,969	
	Whole Auto Ln Tr	-	Short-term investment	-	US\$ 3,000	N/A	US\$ 2,964	
	World Omni Auto Receivables Tr	-	Short-term investment	-	US\$ 5,963	N/A	US\$ 5,906	
	<u>Commercial papers</u>		Short-term investment	-	US\$ 2,997	N/A	US\$ 2,997	
	<u>Corporate issued notes</u>		Short-term investment	-	US\$ 1,999	N/A	US\$ 1,999	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	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)	
	<u>Money market funds</u>		Short-term investment	-	US\$ 21,114	N/A	US\$ 21,114	
	<u>Equity</u>							
	Horizon Venture Fund I, L.P.	-	Long-term investment	-	246,485	N/A	246,485	
	Crimson Asia Capital Ltd., L.P.	-	Long-term investment	-	43,649	N/A	43,649	
TSMC - North America	TSMC stock	Parent company	Short-term investment	14,151	677,110	-	696,661	
Chi Cherng	TSMC stock	Parent company	Short-term investment	15,670	458,564	-	771,451	
Hsin Ruey	TSMC stock	Parent company	Short-term investment	15,700	459,512	-	772,897	
TSMC International	<u>Money market fund</u>							
	BOA Fund	-	Short-term investment	30,300	US\$ 30,300	N/A	US\$ 30,300	
	<u>Stock</u>							
	InveStar	Subsidiary	Long-term investment	24,320	US\$ 34,514	97	US\$ 34,514	
	InveStar II	Subsidiary	Long-term investment	51,300	US\$ 34,534	97	US\$ 34,534	
	TSMC Development	Subsidiary	Long-term investment	1	US\$ 603,993	100	US\$ 603,993	
	TSMC Technology	Subsidiary	Long-term investment	1	US\$ 5,544	100	US\$ 5,544	
	3DFX Interactive Inc.	-	Long-term investment	68	-	-	-	
TSMC Development	WaferTech stock	Subsidiary	Long-term investment	-	US\$ 484,060	99	US\$ 484,060	
InveStar	<u>Common stock</u>							
	RichTek Technology Corp.	-	Short-term investment	682	US\$ 67	-	US\$ 1,370	
	Advanced Power Electronics Corp.	-	Short-term investment	1,108	US\$ 502	-	US\$ 697	
	Broadtek Electronics Corp.	-	Short-term investment	869	US\$ 275	-	US\$ 225	
	Monolithic Power Systems, Inc.	-	Short-term investment	1,975	US\$ 1,567	-	US\$ 19,910	
	SiRF Technology Holdings, Inc.	-	Short-term investment	90	US\$ 393	-	US\$ 1,157	
	Broadtek Electronics Corp.	-	Long-term investment	145	US\$ 46	-	US\$ 38	
	Programmable Microelectronics (Taiwan), Corp.	-	Long-term investment	575	US\$ 208	1	US\$ 208	
	Global Testing Corp.	-	Long-term investment	13,268	US\$ 5,670	9	US\$ 5,670	
	RichTek Technology Corp.	-	Long-term investment	842	US\$ 83	1	US\$ 1,692	
	Signia Technologies, Inc.	-	Long-term investment	701	US\$ 202	3	US\$ 202	
	Incentia Design Systems, Inc.	-	Long-term investment	365	US\$ 92	1	US\$ 92	
	Advanced Power Electronics Corp.	-	Long-term investment	1,123	US\$ 508	2	US\$ 706	
	Capella Microsystems (Taiwan), Inc.	-	Long-term investment	530	US\$ 154	4	US\$ 154	
	<u>Preferred stock</u>							
	Integrated Memory Logic, Inc.	-	Long-term investment	1,831	US\$ 1,221	12	US\$ 1,221	
	Sensory, Inc.	-	Long-term investment	1,404	US\$ 125	6	US\$ 125	
	Sonics, Inc.	-	Long-term investment	2,686	US\$ 3,530	4	US\$ 3,530	
	NanoAmp Solutions, Inc.	-	Long-term investment	541	US\$ 853	2	US\$ 853	
	Memsic, Inc.	-	Long-term investment	2,727	US\$ 1,500	10	US\$ 1,500	
	Reflectivity, Inc.	-	Long-term investment	1,064	US\$ 741	2	US\$ 741	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	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)		
InveStar II	IP Unity	-	Long-term investment	1,008	US\$ 494	2	US\$ 494		
	Tropian, Inc.	-	Long-term investment	1,758	US\$ 471	3	US\$ 471		
	<u>Common stock</u>								
	RichTek Technology Corp.	-	Short-term investment	321	US\$ 184	-	US\$ 645		
	Monolithic Power Systems, Inc.	-	Short-term investment	864	US\$ 2,081	-	US\$ 8,716		
	eChannel Option Holding, Inc.	-	Long-term investment	358	US\$ 251	4	US\$ 251		
	eLCOS Microdisplay Technology, Ltd.	-	Long-term investment	270	US\$ 27	1	US\$ 27		
	Signia Technologies, Inc.	-	Long-term investment	351	US\$ 101	1	US\$ 101		
	Procoat Technology, Inc.	-	Long-term investment	5,123	US\$ 1,940	10	US\$ 1,940		
	RichTek Technology Corp.	-	Long-term investment	395	US\$ 226	1	US\$ 794		
	Programmable Microelectronics (Taiwan), Inc.	-	Long-term investment	177	US\$ 50	-	US\$ 50		
	Auden Technology MFG. Co., Ltd.	-	Long-term investment	953	US\$ 738	4	US\$ 738		
	GeoVision, Inc.	-	Long-term investment	471	US\$ 127	1	US\$ 127		
	EoNex Technologies, Inc.	-	Long-term investment	55	US\$ 3,048	5	US\$ 3,048		
	Conwise Technology Corporation, Ltd.	-	Long-term investment	2,800	US\$ 490	14	US\$ 490		
	EON Technology, Corp.	-	Long-term investment	3,276	US\$ 1,175	8	US\$ 1,175		
	Goyatek Technology, Corp.	-	Long-term investment	2,088	US\$ 545	7	US\$ 545		
	Trendchip Technologies Corp.	-	Long-term investment	2,000	US\$ 861	5	US\$ 861		
	Ralink Technology (Taiwan), Inc.	-	Long-term investment	1,833	US\$ 791	3	US\$ 791		
	Silicon Data International Co., Inc.	-	Long-term investment	2,000	US\$ 204	3	US\$ 204		
	Capella Microsystems (Taiwan), Inc.	-	Long-term investment	419	US\$ 122	3	US\$ 122		
	<u>Preferred stock</u>								
	Memsic, Inc.	-	Long-term investment	2,289	US\$ 1,560	8	US\$ 1,560		
	eLCOS Microdisplay Technology, Ltd.	-	Long-term investment	2,667	US\$ 3,500	15	US\$ 3,500		
	NanoAmp Solutions, Inc.	-	Long-term investment	375	US\$ 1,500	1	US\$ 1,500		
	Advanced Analogic Technology, Inc.	-	Long-term investment	948	US\$ 1,261	2	US\$ 1,261		
	Sonics, Inc.	-	Long-term investment	1,582	US\$ 3,082	5	US\$ 3,082		
Reflectivity, Inc.	-	Long-term investment	4,255	US\$ 2,205	5	US\$ 2,205			
Tropian, Inc.	-	Long-term investment	1,464	US\$ 393	2	US\$ 393			
Kilopass Technologies, Inc.	-	Long-term investment	3,887	US\$ 2,000	19	US\$ 2,000			
FangTek, Inc.	-	Long-term investment	6,806	US\$ 3,250	34	US\$ 3,250			
Alchip Technologies Limited	-	Long-term investment	2,579	US\$ 2,950	18	US\$ 2,950			
Emerging Alliance	<u>Common stock</u>								
	Global Investment Holding, Inc.	-	Long-term investment	10,000	100,000	6	100,000		
	RichWave Technology Corp.	-	Long-term investment	2,600	US\$ 867	13	US\$ 867		
	NetLogic Microsystems, Inc.	-	Long-term investment	113	US\$ 1,388	1	US\$ 1,388		
	<u>Preferred stock</u>								
	Quake Technologies, Inc.	-	Long-term investment	601	US\$ 450	1	US\$ 450		
	Pixim, Inc.	-	Long-term investment	1,721	US\$ 2,382	3	US\$ 2,382		
	Newport Opticom, Inc.	-	Long-term investment	962	US\$ 250	6	US\$ 250		
	Ikanos Communication, Inc.	-	Long-term investment	7,446	US\$ 3,125	3	US\$ 3,125		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	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)	
VTAF II	Quicksilver Technology, Inc.	-	Long-term investment	1,049	US\$ -	4	US\$ -	
	Mosaic Systems, Inc.	-	Long-term investment	2,481	US\$ 12	6	US\$ 12	
	Zenesis Technologies, Inc.	-	Long-term investment	1,204	US\$ 699	4	US\$ 699	
	Reflectivity, Inc.	-	Long-term investment	4,848	US\$ 2,479	4	US\$ 2,479	
	Teknovus, Inc.	-	Long-term investment	5,556	US\$ 1,000	3	US\$ 1,000	
	Miradia, Inc. (Formerly XHP Microsystems, Inc.)	-	Long-term investment	3,040	US\$ 1,000	4	US\$ 1,000	
	Axiom Microdevices, Inc.	-	Long-term investment	1,000	US\$ 1,000	5	US\$ 1,000	
	Optichron, Inc.	-	Long-term investment	714	US\$ 1,000	6	US\$ 1,000	
	Audience, Inc.	-	Long-term investment	1,654	US\$ 250	2	US\$ 250	
	Next IO, Inc.	-	Long-term investment	800	US\$ 500	2	US\$ 500	
	NuCORE Technology Inc.	-	Long-term investment	2,254	US\$ 1,455	2	US\$ 1,455	
	Centrality Communications, Inc.	-	Long-term investment	809	US\$ 1,000	2	US\$ 1,000	
	Layer N Networks, Inc.	-	Long-term investment	1,905	US\$ 1,000	2	US\$ 1,000	
		<u>Common stock</u>						
		Yobon Technologies, Inc.	-	Long-term investment	1,675	US\$ 787	17	US\$ 787
		Sentelic, Corp.	-	Long-term investment	600	US\$ 1,022	15	US\$ 1,022
		Ivyon Technology, Inc.	-	Long-term investment	200	US\$ 775	10	US\$ 775
		<u>Preferred stock</u>						
		Powerprecise Solutions, Inc.	-	Long-term investment	258	US\$ 250	3	US\$ 250
		Tzero Technologies, Inc.	-	Long-term investment	244	US\$ 500	2	US\$ 500
	Miradia, Inc.	-	Long-term investment	1,809	US\$ 1,600	2	US\$ 1,600	
	Agelia Technologies, Inc.	-	Long-term investment	1,149	US\$ 1,000	2	US\$ 1,000	
	Audience, Inc.	-	Long-term investment	531	US\$ 102	1	US\$ 102	
	Axiom Microdevices, Inc.	-	Long-term investment	686	US\$ 700	5	US\$ 700	
	Next IO, Inc.	-	Long-term investment	216	US\$ 182	-	US\$ 182	
GUC	<u>Bond funds</u>							
	Grand Cathay	-	Short-term investment	3,608	45,543	N/A	45,544	
	TIIM	-	Short-term investment	703	9,698	N/A	9,698	
	Polaris De Li	-	Short-term investment	1,550	22,800	N/A	22,800	
	EnTrust Kirin	-	Short-term investment	2,106	22,697	N/A	22,698	
	E. Sun New Era	-	Short-term investment	1,920	20,313	N/A	20,314	
	Jih Sun	-	Short-term investment	772	10,262	N/A	10,262	
	EnTrust Phoenix	-	Short-term investment	2,081	30,563	N/A	30,564	
	Transcend Fortune	-	Short-term investment	1,936	22,947	N/A	22,948	
	<u>Stock funds</u>							
	TIIM DaLi	-	Short-term investment	296	5,000	N/A	4,474	
	UPAMC Global Select Fund of Funds	-	Short-term investment	336	3,364	N/A	3,378	
	Sheng Hua 9966 Balance	-	Short-term investment	300	3,000	N/A	3,011	
<u>Stock</u>								
Global Unichip Corporation - NA	Subsidiary		Long-term investment	100	3,375	100	3,375	

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	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)
The Company	<u>Money market funds</u>													
	BOA Fund	Short-term investment	BOA	-	40,000	\$ 1,359,120 (US\$ 40,000)	-	\$ -	40,000	\$ 1,359,120 (US\$ 40,000)	\$ 1,359,120 (US\$ 40,000)	\$ -	-	\$ -
	GS Fund	Short-term investment	Goldman Sachs	-	20,000	679,560 (US\$ 20,000)	-	-	20,000	679,560 (US\$ 20,000)	679,560 (US\$ 20,000)	-	-	-
	<u>Bond funds</u>													
	JF Taiwan Bond Fund	Short-term investment	JF Asset Management (Taiwan) Ltd.	-	34,343	500,000	68,021	1,000,000	23,666	350,000	346,791	3,209	78,698	1,153,209
	ABN AMRO Bond Fund	Short-term investment	ABN AMRO	-	34,794	500,000	165,257	2,400,000	65,145	950,000	943,825	6,175	134,906	1,956,175
	ABN AMRO Select Bond Fund	Short-term investment	ABN AMRO	-	-	-	18,235	200,000	-	-	-	-	18,235	200,000
	JF Taiwan First Bond Fund	Short-term investment	JF Asset Management (Taiwan) Ltd.	-	-	-	110,580	1,500,000	25,694	350,000	348,537	1,463	84,886	1,151,463
	INVESCO R.O.C Bond A Fund	Short-term investment	INVESCO Asset Management Taiwan	-	-	-	93,975	1,350,000	17,270	250,000	248,089	1,911	76,705	1,101,911
	Dresdner Bond DAM Fund	Short-term investment	Allianz Dresdner Securities Investment Consulting Co., Ltd.	-	-	-	80,833	900,000	-	-	-	-	80,833	900,000
	Barits Bond Fund	Short-term investment	Barits Securities Investment Trust Co., Ltd.	-	-	-	76,640	900,000	-	-	-	-	76,640	900,000
	Shin Kong Chi Shin Bond Fund	Short-term investment	Shinkong Investment Trust Co., Ltd.	-	-	-	151,594	2,100,000	-	-	-	-	151,594	2,100,000
	NITC Bond Fund	Short-term investment	National Investment Trust Co., Ltd.	-	-	-	3,764	600,000	-	-	-	-	3,764	600,000
	HSBC NTD Money Management Fund	Short-term investment	HSBC Asset Management (Taiwan) Ltd.	-	-	-	41,568	600,000	-	-	-	-	41,568	600,000
	<u>Bonds under repurchase agreement</u>	Short-term investment	Chung Shing Bills Finance Corp. and several financial institutions	-	-	1,800,000	-	2,577,163	-	4,127,714	4,127,714	-	-	249,449
	<u>Government bonds</u>													
	1994 Government Bond Series C	Short-term investment	Chung Shing Bills Finance Corp. and several financial institutions	-	-	1,422,197	-	-	-	1,427,762	1,422,197	5,565	-	-
	2002 Government Bond Series A	Short-term investment	BNP and several financial institutions	-	-	3,157,331	-	-	-	3,169,750	3,157,331	12,419	-	-
	2002 Government Bond Series E	Short-term investment	BNP and several financial institutions	-	-	3,113,066	-	-	-	3,133,875	3,113,066	20,809	-	-
	2002 Government Bond Series J	Short-term investment	BNP and several financial institutions	-	-	-	-	2,023,206	-	2,031,500	2,023,206	8,294	-	-
	2003 Government Bond Series A	Short-term investment	BNP and several financial institutions	-	-	-	-	1,207,409	-	-	-	-	-	1,207,409
	United States Treas NTS	Short-term investment	-	-	-	-	-	US\$ 699,398	-	US\$ 506,162	US\$ 507,041	US\$ (879)	-	US\$ 192,357
	2003 Government Bond Series I	Long-term investment	FCB and several financial institutions	-	-	-	-	3,402,213	-	-	-	-	-	3,397,081
	2004 Government Bond Series A	Long-term investment	China Bills Finance Corp. and several financial institutions	-	-	-	-	2,349,573	-	-	-	-	-	2,349,573
	2004 Government Bond Series E	Long-term investment	BNP and several financial institutions	-	-	-	-	3,890,925	-	-	-	-	-	3,893,827
	2004 Kaohsiung Municipal Bond Series A	Long-term investment	KGI Securities Co., Ltd. and several financial institutions	-	-	-	-	620,000	-	-	-	-	-	620,000
	<u>Corporate bonds</u>													
	Taiwan Power Company	Short-term investment	KGI Securities Co., Ltd.	-	-	-	-	2,777,798	-	-	-	-	-	2,777,798
	Allstate Finl Global Fdg LLC	Short-term investment	-	-	-	-	-	US\$ 3,171	-	-	-	-	-	US\$ 3,171
	American Express Co.	Short-term investment	-	-	-	-	-	US\$ 3,550	-	-	-	-	-	US\$ 3,550
	American Express Cr Corp. Mtn	Short-term investment	-	-	-	-	-	US\$ 3,503	-	US\$ 3,504	US\$ 3,503	US\$ 1	-	-
	American Gen Fin Corp. Mtn	Short-term investment	-	-	-	-	-	US\$ 3,130	-	-	-	-	-	US\$ 3,130
	American Gen Fin Corp. Mtn	Short-term investment	-	-	-	-	-	US\$ 3,702	-	-	-	-	-	US\$ 3,702
	American Honda Fin Corp. Mtn	Short-term investment	-	-	-	-	-	US\$ 3,509	-	US\$ 3,509	US\$ 3,509	-	-	-
	American Honda Fin Corp. Mtn	Short-term investment	-	-	-	-	-	US\$ 3,750	-	US\$ 3,755	US\$ 3,750	US\$ 5	-	-
	American Honda Fin Corp. Mtn	Short-term investment	-	-	-	-	-	US\$ 3,800	-	-	-	-	-	US\$ 3,800

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	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)
	American Intl Group Inc. Mtnf	Short-term investment	-	-	-	\$ -	-	US\$ 3,795	-	\$ -	\$ -	\$ -	-	US\$ 3,795
	Amgen Inc.	Short-term investment	-	-	-	-	-	US\$ 3,005	-	-	-	-	-	US\$ 3,005
	Bank New York Inc.	Short-term investment	-	-	-	-	-	US\$ 3,945	-	-	-	-	-	US\$ 3,945
	Bank One Corp.	Short-term investment	-	-	-	-	-	US\$ 3,693	-	US\$ 3,695	US\$ 3,693	US\$ 2	-	-
	Bear Stearns Cos Inc.	Short-term investment	-	-	-	-	-	US\$ 3,805	-	US\$ 3,816	US\$ 3,805	US\$ 11	-	-
	Bear Stearns Cos Inc.	Short-term investment	-	-	-	-	-	US\$ 3,518	-	-	-	-	-	US\$ 3,518
	Bear Stearns Cos Inc. Medium Te	Short-term investment	-	-	-	-	-	US\$ 3,105	-	-	-	-	-	US\$ 3,105
	Bristol Myers Squibb Co.	Short-term investment	-	-	-	-	-	US\$ 3,819	-	-	-	-	-	US\$ 3,819
	Brown Forman Corp.	Short-term investment	-	-	-	-	-	US\$ 3,277	-	US\$ 3,280	US\$ 3,277	US\$ 3	-	-
	Cardinal Health Inc.	Short-term investment	-	-	-	-	-	US\$ 3,837	-	US\$ 3,795	US\$ 3,837	US\$ (42)	-	-
	Cit Group Hldgs Inc.	Short-term investment	-	-	-	-	-	US\$ 3,203	-	-	-	-	-	US\$ 3,203
	Citigroup Inc.	Short-term investment	-	-	-	-	-	US\$ 3,583	-	-	-	-	-	US\$ 3,583
	Compaq Computer Corp.	Short-term investment	-	-	-	-	-	US\$ 3,719	-	-	-	-	-	US\$ 3,719
	Consolidated Edison Co. NY Inc.	Short-term investment	-	-	-	-	-	US\$ 3,687	-	-	-	-	-	US\$ 3,687
	Countrywide Fdg Corp. Mtn	Short-term investment	-	-	-	-	-	US\$ 3,534	-	US\$ 3,540	US\$ 3,534	US\$ 6	-	-
	Countrywide Home Lns Inc.	Short-term investment	-	-	-	-	-	US\$ 5,210	-	-	-	-	-	US\$ 5,210
	Credit Suisse First Boston USA	Short-term investment	-	-	-	-	-	US\$ 3,177	-	US\$ 3,188	US\$ 3,177	US\$ 11	-	-
	Dell Computer Corp.	Short-term investment	-	-	-	-	-	US\$ 3,054	-	-	-	-	-	US\$ 3,054
	Diageo PLC	Short-term investment	-	-	-	-	-	US\$ 3,459	-	-	-	-	-	US\$ 3,459
	European Invt Bk	Short-term investment	-	-	-	-	-	US\$ 8,315	-	-	-	-	-	US\$ 8,315
	Federal Home Ln Mtg Corp	Short-term investment	-	-	-	-	-	US\$ 4,237	-	-	-	-	-	US\$ 4,237
	Federal Home Loan Mtg Assn	Short-term investment	-	-	-	-	-	US\$ 4,847	-	-	-	-	-	US\$ 4,847
	First Data Corp.	Short-term investment	-	-	-	-	-	US\$ 3,013	-	-	-	-	-	US\$ 3,013
	General Elec Cap Corp. Mtn	Short-term investment	-	-	-	-	-	US\$ 3,507	-	US\$ 3,498	US\$ 3,507	US\$ (9)	-	-
	General Elec Cap Corp. Mtn	Short-term investment	-	-	-	-	-	US\$ 3,467	-	-	-	-	-	US\$ 3,467
	General Elec Cap Corp. Mtn	Short-term investment	-	-	-	-	-	US\$ 3,886	-	-	-	-	-	US\$ 3,886
	Genworth Finl Inc.	Short-term investment	-	-	-	-	-	US\$ 3,412	-	-	-	-	-	US\$ 3,412
	Goldman Sachs Group Inc Mtn	Short-term investment	-	-	-	-	-	US\$ 3,505	-	-	-	-	-	US\$ 3,505
	Goldman Sachs Group LP	Short-term investment	-	-	-	-	-	US\$ 3,820	-	-	-	-	-	US\$ 3,820
	Hewlett Packard Co.	Short-term investment	-	-	-	-	-	US\$ 3,373	-	-	-	-	-	US\$ 3,373
	Honeywell Inc.	Short-term investment	-	-	-	-	-	US\$ 3,284	-	-	-	-	-	US\$ 3,284
	Household Fin Corp.	Short-term investment	-	-	-	-	-	US\$ 3,712	-	US\$ 3,633	US\$ 3,712	US\$ (79)	-	-
	Household Fin Corp. Mtn Bk Ent	Short-term investment	-	-	-	-	-	US\$ 3,542	-	-	-	-	-	US\$ 3,542
	Huntington Natl Bk	Short-term investment	-	-	-	-	-	US\$ 3,003	-	-	-	-	-	US\$ 3,003
	ING Sec Life Ins IngsLf	Short-term investment	-	-	-	-	-	US\$ 3,012	-	-	-	-	-	US\$ 3,012
	Intl Bk For Recon + Dev	Short-term investment	-	-	-	-	-	US\$ 5,232	-	-	-	-	-	US\$ 5,232
	JP Morgan Chase + Co.	Short-term investment	-	-	-	-	-	US\$ 3,638	-	US\$ 3,601	US\$ 3,638	US\$ (37)	-	-
	JP Morgan Chase + Co.	Short-term investment	-	-	-	-	-	US\$ 3,128	-	-	-	-	-	US\$ 3,128
	JP Morgan Chase + Co.	Short-term investment	-	-	-	-	-	US\$ 3,663	-	-	-	-	-	US\$ 3,663
	Keycorp Mtn Book Entry	Short-term investment	-	-	-	-	-	US\$ 3,500	-	-	-	-	-	US\$ 3,500
	KFW Intl Fin Inc.	Short-term investment	-	-	-	-	-	US\$ 5,104	-	-	-	-	-	US\$ 5,104
	Lehman Brothers Hldgs Inc.	Short-term investment	-	-	-	-	-	US\$ 3,417	-	US\$ 3,381	US\$ 3,417	US\$ (36)	-	-
	Lehman Brothers Hldgs Inc.	Short-term investment	-	-	-	-	-	US\$ 3,705	-	-	-	-	-	US\$ 3,705
	Lilly Eli + Co.	Short-term investment	-	-	-	-	-	US\$ 3,750	-	-	-	-	-	US\$ 3,750
	Merrill Lynch + Co Inc.	Short-term investment	-	-	-	-	-	US\$ 3,497	-	US\$ 3,498	US\$ 3,497	US\$ 1	-	-
	Merrill Lynch + Co Inc.	Short-term investment	-	-	-	-	-	US\$ 3,486	-	-	-	-	-	US\$ 3,486
	Monumental Global Fdg II 2002A	Short-term investment	-	-	-	-	-	US\$ 3,129	-	-	-	-	-	US\$ 3,129
	Morgan Stanley Group Inc.	Short-term investment	-	-	-	-	-	US\$ 5,741	-	-	-	-	-	US\$ 5,741
	Morgan Stanley Group Inc.	Short-term investment	-	-	-	-	-	US\$ 4,763	-	US\$ 3,713	US\$ 3,713	-	-	US\$ 1,050
	Nationsbank Corp.	Short-term investment	-	-	-	-	-	US\$ 3,644	-	-	-	-	-	US\$ 3,644
	Nationwide Bldg Soc	Short-term investment	-	-	-	-	-	US\$ 3,457	-	-	-	-	-	US\$ 3,457
	Nationwide Life Global Mtn	Short-term investment	-	-	-	-	-	US\$ 3,413	-	-	-	-	-	US\$ 3,413
	Pepsico Inc. Mtn Book Entry	Short-term investment	-	-	-	-	-	US\$ 3,818	-	-	-	-	-	US\$ 3,818
	Popular North Amer Inc Mtn	Short-term investment	-	-	-	-	-	US\$ 3,042	-	-	-	-	-	US\$ 3,042
	Pricoa Global Fdg I Mtn	Short-term investment	-	-	-	-	-	US\$ 3,507	-	-	-	-	-	US\$ 3,507
	Pricoa Global Fdg I Mtn	Short-term investment	-	-	-	-	-	US\$ 3,050	-	-	-	-	-	US\$ 3,050
	Principal Life Global Fdg I Gl	Short-term investment	-	-	-	-	-	US\$ 3,168	-	-	-	-	-	US\$ 3,168
	Salomon Smith Barney Hldgs Inc.	Short-term investment	-	-	-	-	-	US\$ 3,160	-	-	-	-	-	US\$ 3,160
	SBC Communications Inc.	Short-term investment	-	-	-	-	-	US\$ 3,681	-	-	-	-	-	US\$ 3,681

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
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	Shell Finance (UK) PLC	Short-term investment	-	-	-	\$ -	-	US\$ 3,604	-	\$ -	\$ -	\$ -	-	US\$ 3,604
	TIAA Global Mkts Inc.	Short-term investment	-	-	-	-	-	US\$ 3,631	-	US\$ 3,131	US\$ 3,112	US\$ 19	-	US\$ 519
	Unitedhealth Group Inc.	Short-term investment	-	-	-	-	-	US\$ 3,119	-	-	-	-	-	US\$ 3,119
	Viacom Inc.	Short-term investment	-	-	-	-	-	US\$ 3,177	-	US\$ 3,135	US\$ 3,177	US\$ (42)	-	-
	Viacom Inc.	Short-term investment	-	-	-	-	-	US\$ 3,172	-	US\$ 3,175	US\$ 3,172	US\$ 3	-	-
	Wachovia Corp.	Short-term investment	-	-	-	-	-	US\$ 3,720	-	-	-	-	-	US\$ 3,720
	Walmart Cda Venture Corp.	Short-term investment	-	-	-	-	-	US\$ 3,670	-	-	-	-	-	US\$ 3,670
	Washington Mut Fin Corp.	Short-term investment	-	-	-	-	-	US\$ 4,768	-	-	-	-	-	US\$ 4,768
	Washington Mut Inc.	Short-term investment	-	-	-	-	-	US\$ 4,735	-	-	-	-	-	US\$ 4,735
	Washington Post Co.	Short-term investment	-	-	-	-	-	US\$ 3,182	-	-	-	-	-	US\$ 3,182
	Wells Fargo + Co. New	Short-term investment	-	-	-	-	-	US\$ 3,697	-	-	-	-	-	US\$ 3,697
	China Steel Corporation	Long-term investment	-	-	-	-	-	2,997,430	-	-	-	-	-	2,978,804
	Taiwan Power Company	Long-term investment	-	-	-	-	-	950,646	-	-	-	-	-	915,276
	Nan Ya Plastics Corporation	Long-term investment	-	-	-	-	-	408,538	-	-	-	-	-	407,526
	Formosa Plastics Corporation	Long-term investment	-	-	-	-	-	406,245	-	-	-	-	-	405,485
	Formosa Petrochemical Corporation	Long-term investment	-	-	-	-	-	202,980	-	-	-	-	-	202,595
	<u>Agency bonds</u>													
	Federal Home Ln Mtg Corp.	Short-term investment	-	-	-	-	-	US\$ 6,096	-	-	-	-	-	US\$ 6,096
	Federal Home Ln Mtg Corp.	Short-term investment	-	-	-	-	-	US\$ 4,725	-	-	-	-	-	US\$ 4,725
	Federal Home Ln Mtg Corp.	Short-term investment	-	-	-	-	-	US\$ 3,558	-	-	-	-	-	US\$ 3,558
	Federal Natl Mtg Assn	Short-term investment	-	-	-	-	-	US\$ 5,861	-	-	-	-	-	US\$ 5,861
	Federal Natl Mtg Assn	Short-term investment	-	-	-	-	-	US\$ 3,393	-	-	-	-	-	US\$ 3,393
	Federal Natl Mtg Assn	Short-term investment	-	-	-	-	-	US\$ 6,130	-	-	-	-	-	US\$ 6,130
	Federal Natl Mtg Assn Gtd	Short-term investment	-	-	-	-	-	US\$ 6,371	-	-	-	-	-	US\$ 6,371
	Federal Natl Mtg Assn Mtn	Short-term investment	-	-	-	-	-	US\$ 7,000	-	-	-	-	-	US\$ 7,000
	Fnma Pool 790828	Short-term investment	-	-	-	-	-	US\$ 5,014	-	-	-	-	-	US\$ 5,014
	Gnma II Pool 081153	Short-term investment	-	-	-	-	-	US\$ 3,817	-	-	-	-	-	US\$ 3,817
	Gnma II Pool Tba Nov 30 Arms	Short-term investment	-	-	-	-	-	US\$ 4,829	US\$ 4,829	US\$ 4,829	-	-	-	-
	Government Natl Mtg Assn	Short-term investment	-	-	-	-	-	US\$ 4,473	-	-	-	-	-	US\$ 4,473
	Federal Hm Ln PC	Short-term investment	-	-	-	-	-	US\$ 3,466	-	-	-	-	-	US\$ 3,466
	Federal Home Ln Bks	Short-term investment	-	-	-	-	-	US\$ 5,210	US\$ 4,153	US\$ 4,168	US\$ (15)	-	-	US\$ 1,042
	Federal Home Ln Bks	Short-term investment	-	-	-	-	-	US\$ 4,927	-	-	-	-	-	US\$ 4,927
	Federal Home Ln Bks	Short-term investment	-	-	-	-	-	US\$ 14,938	US\$ 6,980	US\$ 6,976	US\$ 4	-	-	US\$ 7,962
	Federal Home Ln Bks	Short-term investment	-	-	-	-	-	US\$ 7,014	-	-	-	-	-	US\$ 7,014
	Federal Home Ln Bks	Short-term investment	-	-	-	-	-	US\$ 4,936	-	-	-	-	-	US\$ 4,936
	Federal Home Ln Bks	Short-term investment	-	-	-	-	-	US\$ 9,956	US\$ 9,967	US\$ 9,956	US\$ 11	-	-	-
	Federal Home Ln Bks	Short-term investment	-	-	-	-	-	US\$ 5,264	US\$ 5,286	US\$ 5,264	US\$ 22	-	-	-
	Federal Home Ln Bks	Short-term investment	-	-	-	-	-	US\$ 4,948	-	-	-	-	-	US\$ 4,948
	Federal Home Ln Bks	Short-term investment	-	-	-	-	-	US\$ 7,018	-	-	-	-	-	US\$ 7,018
	Federal Home Ln Bks	Short-term investment	-	-	-	-	-	US\$ 9,993	US\$ 5,000	US\$ 4,997	US\$ 3	-	-	US\$ 4,996
	Federal Home Ln Bks	Short-term investment	-	-	-	-	-	US\$ 7,042	-	-	-	-	-	US\$ 7,042
	Federal Home Ln Bks	Short-term investment	-	-	-	-	-	US\$ 6,098	-	-	-	-	-	US\$ 6,098
	Federal Home Ln Bks	Short-term investment	-	-	-	-	-	US\$ 13,953	-	-	-	-	-	US\$ 13,953
	Federal Home Ln Bks	Short-term investment	-	-	-	-	-	US\$ 13,983	-	-	-	-	-	US\$ 13,983
	Federal Home Ln Bks	Short-term investment	-	-	-	-	-	US\$ 13,981	-	-	-	-	-	US\$ 13,981
	Federal Home Ln Mtg Corp.	Short-term investment	-	-	-	-	-	US\$ 6,978	-	-	-	-	-	US\$ 6,978
	Federal Home Ln Mtg Corp.	Short-term investment	-	-	-	-	-	US\$ 3,388	-	-	-	-	-	US\$ 3,388
	Federal Home Ln Mtg Corp.	Short-term investment	-	-	-	-	-	US\$ 4,907	US\$ 4,981	US\$ 4,907	US\$ 74	-	-	-
	Federal Home Ln Mtg Corp.	Short-term investment	-	-	-	-	-	US\$ 4,953	-	-	-	-	-	US\$ 4,953
	Federal Home Ln Mtg Corp.	Short-term investment	-	-	-	-	-	US\$ 9,997	-	-	-	-	-	US\$ 9,997
	Federal Home Ln Mtg Corp.	Short-term investment	-	-	-	-	-	US\$ 9,971	US\$ 9,942	US\$ 9,971	US\$ (29)	-	-	-
	Federal Home Ln Mtg Corp.	Short-term investment	-	-	-	-	-	US\$ 11,984	US\$ 10,965	US\$ 10,986	US\$ (21)	-	-	US\$ 998
	Federal Home Ln Mtg Corp.	Short-term investment	-	-	-	-	-	US\$ 4,933	-	-	-	-	-	US\$ 4,933
	Federal Home Ln Mtg Corp. Mtn	Short-term investment	-	-	-	-	-	US\$ 4,930	-	-	-	-	-	US\$ 4,930
	Federal Home Loan Mtg Corp.	Short-term investment	-	-	-	-	-	US\$ 4,903	-	-	-	-	-	US\$ 4,903
	Federal Natl Mtg Assn	Short-term investment	-	-	-	-	-	US\$ 11,036	US\$ 10,997	US\$ 11,036	US\$ (39)	-	-	-
	Federal Natl Mtg Assn	Short-term investment	-	-	-	-	-	US\$ 10,496	US\$ 10,430	US\$ 10,496	US\$ (66)	-	-	-

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
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	Federal Natl Mtg Assn	Short-term investment	-	-	-	\$ -	-	US\$ 5,270	-	\$ -	\$ -	\$ -	-	US\$ 5,270
	Federal Natl Mtg Assn	Short-term investment	-	-	-	-	-	US\$ 4,982	-	US\$ 4,983	US\$ 4,982	US\$ 1	-	-
	Federal Natl Mtg Assn	Short-term investment	-	-	-	-	-	US\$ 6,940	-	-	-	-	-	US\$ 6,940
	Federal Natl Mtg Assn	Short-term investment	-	-	-	-	-	US\$ 4,867	-	US\$ 4,938	US\$ 4,867	US\$ 71	-	-
	Federal Natl Mtg Assn	Short-term investment	-	-	-	-	-	US\$ 6,903	-	-	-	-	-	US\$ 6,903
	Federal Natl Mtg Assn	Short-term investment	-	-	-	-	-	US\$ 4,981	-	-	-	-	-	US\$ 4,981
	Federal Natl Mtg Assn	Short-term investment	-	-	-	-	-	US\$ 6,997	-	-	-	-	-	US\$ 6,997
	Federal Natl Mtg Assn	Short-term investment	-	-	-	-	-	US\$ 4,993	-	US\$ 4,993	US\$ 4,993	-	-	-
	Federal Natl Mtg Assn Disc Nts	Short-term investment	-	-	-	-	-	US\$ 5,000	-	-	-	-	-	US\$ 5,000
	Federal Natl Mtg Assn Mtn	Short-term investment	-	-	-	-	-	US\$ 15,787	-	-	-	-	-	US\$ 15,787
	Freddie Mac	Short-term investment	-	-	-	-	-	US\$ 4,929	-	-	-	-	-	US\$ 4,929
	Student Ln Marketing Assn	Short-term investment	-	-	-	-	-	US\$ 16,000	-	US\$ 16,000	US\$ 16,000	-	-	-
	Corporate issued asset-backed securities													
	Aesop Fdg II LLC	Short-term investment	-	-	-	-	-	US\$ 4,955	-	-	-	-	-	US\$ 4,955
	American Express Cr Account MA	Short-term investment	-	-	-	-	-	US\$ 3,445	-	-	-	-	-	US\$ 3,445
	Americredit Automobile Receivb	Short-term investment	-	-	-	-	-	US\$ 4,949	-	-	-	-	-	US\$ 4,949
	Banc Amer Coml Mtg Inc.	Short-term investment	-	-	-	-	-	US\$ 5,503	-	-	-	-	-	US\$ 5,503
	Banc Amer Mtg Secs Inc.	Short-term investment	-	-	-	-	-	US\$ 4,030	-	-	-	-	-	US\$ 4,030
	Bank Of Amer Lease Equip Tr	Short-term investment	-	-	-	-	-	US\$ 4,023	-	-	-	-	-	US\$ 4,023
	BMW Veh Owner Tr	Short-term investment	-	-	-	-	-	US\$ 4,978	-	-	-	-	-	US\$ 4,978
	California Infr + Economic Dev	Short-term investment	-	-	-	-	-	US\$ 4,298	-	-	-	-	-	US\$ 4,298
	California Infr + Economic	Short-term investment	-	-	-	-	-	US\$ 8,383	-	-	-	-	-	US\$ 8,383
	California Infrastructure Dev	Short-term investment	-	-	-	-	-	US\$ 7,419	-	-	-	-	-	US\$ 7,419
	Capital Auto Receivables Asset	Short-term investment	-	-	-	-	-	US\$ 4,627	-	-	-	-	-	US\$ 4,627
	Capital One Master Tr	Short-term investment	-	-	-	-	-	US\$ 3,093	-	US\$ 3,072	US\$ 3,093	US\$ (21)	-	-
	Capital One Multi Asset Execut	Short-term investment	-	-	-	-	-	US\$ 4,957	-	-	-	-	-	US\$ 4,957
	Capital One Secd Nt Tr	Short-term investment	-	-	-	-	-	US\$ 5,032	-	US\$ 5,000	US\$ 5,032	US\$ (32)	-	-
	Caterpillar Finl Asset Tr	Short-term investment	-	-	-	-	-	US\$ 10,008	-	-	-	-	-	US\$ 10,008
	Centex Home Equity Ln Tr	Short-term investment	-	-	-	-	-	US\$ 3,500	-	-	-	-	-	US\$ 3,500
	Cit Equip Coll Tr	Short-term investment	-	-	-	-	-	US\$ 4,999	-	-	-	-	-	US\$ 4,999
	Citibank Cr Card Issuance Tr	Short-term investment	-	-	-	-	-	US\$ 4,959	-	-	-	-	-	US\$ 4,959
	CHN Equip Tr	Short-term investment	-	-	-	-	-	US\$ 5,000	-	-	-	-	-	US\$ 5,000
	Comm 2004 Htl 1	Short-term investment	-	-	-	-	-	US\$ 4,600	-	-	-	-	-	US\$ 4,600
	Credit Suisse First Boston Mtg	Short-term investment	-	-	-	-	-	US\$ 5,000	-	-	-	-	-	US\$ 5,000
	CWABS Inc.	Short-term investment	-	-	-	-	-	US\$ 5,000	-	-	-	-	-	US\$ 5,000
	CWABS Inc.	Short-term investment	-	-	-	-	-	US\$ 3,500	-	-	-	-	-	US\$ 3,500
	CWALT Inc.	Short-term investment	-	-	-	-	-	US\$ 4,718	-	-	-	-	-	US\$ 4,718
	CWABS Inc.	Short-term investment	-	-	-	-	-	US\$ 3,129	-	-	-	-	-	US\$ 3,129
	CWABS Inc.	Short-term investment	-	-	-	-	-	US\$ 4,040	-	-	-	-	-	US\$ 4,040
	Daimlerchrysler Auto Tr	Short-term investment	-	-	-	-	-	US\$ 4,991	-	-	-	-	-	US\$ 4,991
	Daimlerchrysler Auto Tr	Short-term investment	-	-	-	-	-	US\$ 4,982	-	-	-	-	-	US\$ 4,982
	Daimlerchrysler Auto Tr	Short-term investment	-	-	-	-	-	US\$ 4,897	-	-	-	-	-	US\$ 4,897
	First Union Lehman Bros Mtg Tr	Short-term investment	-	-	-	-	-	US\$ 4,177	-	-	-	-	-	US\$ 4,177
	First USA Credit Cr Master Tr	Short-term investment	-	-	-	-	-	US\$ 5,011	-	-	-	-	-	US\$ 5,011
	Ford Cr Auto Owner Tr	Short-term investment	-	-	-	-	-	US\$ 10,999	-	-	-	-	-	US\$ 10,999
	GE Cap Cr Card Master Nt Tr	Short-term investment	-	-	-	-	-	US\$ 4,000	-	US\$ 4,003	US\$ 4,000	US\$ 3	-	-
	Granite Mtgs PLC	Short-term investment	-	-	-	-	-	US\$ 5,000	-	-	-	-	-	US\$ 5,000
	GS Mtg Secs Corp.	Short-term investment	-	-	-	-	-	US\$ 4,000	-	-	-	-	-	US\$ 4,000
	Harley Davidson Motorcycle Tr	Short-term investment	-	-	-	-	-	US\$ 4,000	-	-	-	-	-	US\$ 4,000
	Harley Davidson Motorcycle Tr	Short-term investment	-	-	-	-	-	US\$ 5,999	-	-	-	-	-	US\$ 5,999
	Holmes Fing No 8 PLC	Short-term investment	-	-	-	-	-	US\$ 5,001	-	-	-	-	-	US\$ 5,001
	Honda Auto Receivables	Short-term investment	-	-	-	-	-	US\$ 5,000	-	-	-	-	-	US\$ 5,000
	Hyundai Auto Receivables Tr	Short-term investment	-	-	-	-	-	US\$ 3,500	-	-	-	-	-	US\$ 3,500
	Impac Secd Assets Corp.	Short-term investment	-	-	-	-	-	US\$ 4,000	-	-	-	-	-	US\$ 4,000
	Monumentl Global Fdg II	Short-term investment	-	-	-	-	-	US\$ 3,500	-	-	-	-	-	US\$ 3,500
	Navistar Finl 2003 A Owner Tr	Short-term investment	-	-	-	-	-	US\$ 4,928	-	-	-	-	-	US\$ 4,928
	Nissan Auto Receivables	Short-term investment	-	-	-	-	-	US\$ 7,000	-	-	-	-	-	US\$ 7,000

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	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)
	Nissan Auto Receivables Owner Tr	Short-term investment	-	-	-	\$ -	-	US\$ 4,999	-	\$ -	\$ -	\$ -	-	US\$ 4,999
	Nissan Auto Receivables Owner	Short-term investment	-	-	-	-	-	US\$ 4,853	-	-	-	-	-	US\$ 4,853
	ONYX Accep Owner Tr	Short-term investment	-	-	-	-	-	US\$ 4,913	-	-	-	-	-	US\$ 4,913
	Permanent Fing No 1 PLC	Short-term investment	-	-	-	-	-	US\$ 5,102	-	US\$ 5,036	US\$ 5,102	US\$ (66)	-	-
	Providian Gateway Owner Tr	Short-term investment	-	-	-	-	-	US\$ 4,204	-	-	-	-	-	US\$ 4,204
	Providian Gateway Owner Tr	Short-term investment	-	-	-	-	-	US\$ 3,992	-	-	-	-	-	US\$ 3,992
	Reliant Energy Transition Bd	Short-term investment	-	-	-	-	-	US\$ 5,185	-	-	-	-	-	US\$ 5,185
	Residential Asset Mtg Prods	Short-term investment	-	-	-	-	-	US\$ 3,766	-	-	-	-	-	US\$ 3,766
	Residential Fdg Mtg Secs I Inc	Short-term investment	-	-	-	-	-	US\$ 3,947	-	-	-	-	-	US\$ 3,947
	Sequoia Mtg Tr	Short-term investment	-	-	-	-	-	US\$ 3,500	-	-	-	-	-	US\$ 3,500
	Structured Adj Rate Mtg Ln Tr	Short-term investment	-	-	-	-	-	US\$ 3,058	-	-	-	-	-	US\$ 3,058
	Toyota Auto Receivables 2003 B	Short-term investment	-	-	-	-	-	US\$ 4,970	-	-	-	-	-	US\$ 4,970
	Triad Auto Receivables Tr	Short-term investment	-	-	-	-	-	US\$ 5,042	-	-	-	-	-	US\$ 5,042
	TXU Elec Delivery Transition	Short-term investment	-	-	-	-	-	US\$ 8,009	-	-	-	-	-	US\$ 8,009
	USAA Auto Owner Tr	Short-term investment	-	-	-	-	-	US\$ 4,000	-	-	-	-	-	US\$ 4,000
	Wachovia Auto Owner Tr	Short-term investment	-	-	-	-	-	US\$ 6,000	-	-	-	-	-	US\$ 6,000
	Wachovia Auto Owner Tr	Short-term investment	-	-	-	-	-	US\$ 4,999	-	-	-	-	-	US\$ 4,999
	WFS Financial Owner Trust	Short-term investment	-	-	-	-	-	US\$ 5,008	-	-	-	-	-	US\$ 5,008
	WFS Finl 2002 4 Owner Tr	Short-term investment	-	-	-	-	-	US\$ 3,904	-	-	-	-	-	US\$ 3,904
	WFS Finl 2004 2 Owner Tr	Short-term investment	-	-	-	-	-	US\$ 4,994	-	-	-	-	-	US\$ 4,994
	WFS Finl 2004 4 Owner Tr	Short-term investment	-	-	-	-	-	US\$ 5,399	-	-	-	-	-	US\$ 5,399
	Whole Auto Ln Tr	Short-term investment	-	-	-	-	-	US\$ 5,967	-	-	-	-	-	US\$ 5,967
	Whole Auto Ln Tr	Short-term investment	-	-	-	-	-	US\$ 4,000	-	-	-	-	-	US\$ 4,000
	World Omni Auto Receivables Tr	Short-term investment	-	-	-	-	-	US\$ 5,963	-	-	-	-	-	US\$ 5,963
	World Omni Auto Receivables Tr	Short-term investment	-	-	-	-	-	US\$ 5,000	-	US\$ 4,986	US\$ 5,000	US\$ (14)	-	-
	<u>Money market funds</u>	Short-term investment	-	-	-	-	-	US\$ 21,114	-	-	-	-	-	US\$ 21,114
InveStar	<u>Common stock</u>													
	RichTek Technology Corp.	Short-term investment	-	-	947	US\$ 121	-	-	1,595	US\$ 6,783	US\$ 184	US\$ 6,598	682	US\$ 67
	Atheros Communication, Inc.	Short-term investment	-	-	1,205	US\$ 3,593	-	-	1,205	US\$ 8,972	US\$ 3,593	US\$ 5,379	-	-
	Monolithic Power Systems, Inc.	Short-term investment	-	-	2,521	US\$ 2,000	-	-	546	US\$ 4,318	US\$ 433	US\$ 3,885	1,975	US\$ 1,567
InveStar II	<u>Common stock</u>													
	RichTek Technology Corp.	Short-term investment	-	-	465	US\$ 346	-	-	768	US\$ 3,394	US\$ 519	US\$ 2,875	321	US\$ 184

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.

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	Nature of Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
The Company	Fab. 12	April 21, 2004	\$ 1,484,370	By the construction progress	IDC Taiwan, Inc., Taiwan Branch (U.S.A.)	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
	Fab. 12	April 21, 2004	420,168	By the construction progress	CHRIST AG	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
	Fab. 12	April 22, 2004	224,800	By the construction progress	Allis Electric Co., Ltd.	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
	Fab. 12	May 12, 2004	340,307	By the construction progress	United Industry gas Corp., Ltd.	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
	Fab. 12	May 12, 2004	116,181	By the construction progress	United Industry gas Corp., Ltd.	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
	Fab. 12	May 12, 2004	133,092	By the construction progress	BOC EDWARDS, CMS	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
	Fab. 12	June 17, 2004	165,208	By the construction progress	Organo Corporation	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
	Fab. 12	July 2, 2004	225,744	By the construction progress	Marketch International Corp.	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
	Fab. 12	July 8, 2004	100,767	By the construction progress	Kanto Chemical Co., Inc.	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
	Fab. 12	July 8, 2004	466,833	By the construction progress	United Integrated Services Co., Ltd.	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
	Fab. 14	August 3, 2004	300,000	By the construction progress	United Integrated Services Co., Ltd.	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
	Fab. 12	August 5, 2004	122,969	By the construction progress	Marketch International Corp.	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
	Fab. 12	August 5, 2004	185,984	By the construction progress	Marketch International Corp.	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
	Fab. 12	August 5, 2004	182,060	By the construction progress	Marketch International Corp.	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None
	Fab. 12	October 15, 2004	105,299	By the construction progress	IDC Taiwan, Inc., Taiwan Branch (U.S.A.)	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None

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				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	TSMC - North America	Subsidiary	Sales	\$ 142,271,732	55	Net 30 days after invoice date	None	None	\$ 15,526,964	47	
	Philips and its affiliates	Major shareholder	Sales	5,463,565	2	Net 30 days after monthly closing	None	None	581,487	2	
	GUC	Investee	Sales	371,546	-	Net 30 days after monthly closing	None	None	56,436	-	
	WaferTech	Subsidiary	Purchases	15,203,047	34	Net 30 days after monthly closing	None	None	(913,107)	9	
	VIS	Investee	Purchases	9,169,602	13	Net 30 days after monthly closing	None	None	(1,533,938)	16	
	SSMC	Investee	Purchases	5,869,123	21	Net 30 days after monthly closing	None	None	(207,794)	2	

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	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
The Company	TSMC - North America	Subsidiary	\$ 15,526,964	38 days	\$ 5,044,202	-	\$ 6,013,414	\$ -
	TSMC - Shanghai	Subsidiary	1,473,365	(Note)	145,146	Accelerate demand on account receivables	-	-
	Philips and its affiliates	Major shareholder	581,487	49 days	7,136	-	13,726	-

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

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	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)			
The Company	TSMC - North America	San Jose, California, U.S.A.	Sales and marketing of integrated circuits and semiconductor devices	\$ 333,178	\$ 333,178	11,000	100	\$ 502,242	\$ 120,587	\$ 112,543	Subsidiary
	TSMC - Europe	Amsterdam, the Netherlands	Marketing activities	15,749	15,749	-	100	25,439	262	262	Subsidiary
	TSMC - Japan	Yokohama, Japan	Marketing activities	83,760	83,760	6	100	102,572	2,919	2,919	Subsidiary
	TSMC - Shanghai	Shanghai, China	Manufacturing and marketing of integrated circuits and semiconductor devices	9,187,962	1,890,952	-	100	8,113,511	(727,036)	(727,036)	Subsidiary
	VIS	Hsin-Chu, Taiwan	Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts	8,119,816	8,119,816	409,532	28	5,401,982	4,706,668	1,329,555	Investee
	TSMC International	Tortola, British Virgin Islands	Providing investment in companies involved in the design, manufacture, and other related business in the semiconductor industry	31,445,780	31,445,780	987,968	100	23,778,997	2,598,162	2,598,162	Subsidiary
	Chi Cherng	Taipei, Taiwan	Investment activities	300,000	300,000	-	36	50,570	21,359	(664)	Investee
	Hsin Ruey	Taipei, Taiwan	Investment activities	300,000	300,000	-	36	49,823	21,887	(491)	Investee
	TSMC Partners	Tortola, British Virgin Islands	Investment activities	10,350	10,350	300	100	3,908,356	43,117	43,117	Subsidiary
	SSMC	Singapore	Fabrication and supply of integrated circuits	6,408,190	6,408,190	382	32	3,290,888	2,288,786	732,418	Investee
	Emerging Alliance	Cayman Islands	Investing in new start-up technology companies	1,447,957	1,179,690	-	99	823,232	(97,767)	(97,278)	Subsidiary
	GUC	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	409,920	409,920	39,040	47	391,626	30,424	23,279	Investee
	VisEra	Hsin-Chu, Taiwan	Manufacturing, material wholesaling and retailing of electronic spare parts	51,000	51,000	5,100	25	59,116	35,540	8,885	Investee
VTAF II	Cayman Islands	Investing in new start-up technology companies	332,412	-	-	98	329,968	18,373	14,648	Subsidiary	

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.

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)	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
					Outflow (US\$ in Thousand)	Inflow					
TSMC (Shanghai) Company Limited	Manufacturing and marketing of integrated circuits and semiconductor devices	\$9,187,962 (RMB2,284,355)	(Note 1)	\$1,890,952 (US\$56,000)	\$ 7,297,010 (US\$220,000)	\$ -	\$ 9,187,962 (US\$276,000)	100%	\$ (727,036)	\$8,113,511	\$ -

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)
\$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.